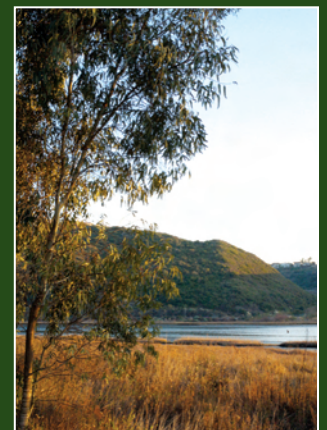




City of
Carlsbad
California



Enhancing
Quality of Life

**Comprehensive
Annual
Financial
Report**

for

Fiscal Year Ended

June 30, 2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2008



1635 Faraday Avenue, Carlsbad, CA 92008

Website: www.carlsbadca.gov

Prepared by the Finance Department



Introductory Section

CITY OF CARLSBAD
Comprehensive Annual Financial Report
Year Ended June 30, 2008

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Carlsbad City Council
2008
Five-Year Vision Statements



City Council continues to clarify and pursue the vision of Carlsbad that reflects the pride and quality of life for all who live, work, and play here.

Carlsbad . . .

- ◆ Provides a diverse and healthy economic base that creates opportunities for employment to the residents of Carlsbad, economic vitality to the community, and the necessary revenues to support City services.
- ◆ Provides programs, policies and decisions to implement the General Plan, enforce the Growth Management Plan, maintain the safety and security of its citizens, and are based on what is best for Carlsbad.
- ◆ Occupies a leadership role in local and regional planning, (e.g., water, beach, circulation, and environmental issues) important to local governments and is actively involved addressing governmental issues at the local, state and national levels.
- ◆ Provides an open government leading to the betterment of the community and encourages, in a non-partisan manner, active citizen participation and involvement with the City Council and the City's Boards and Commissions.

And Carlsbad Efficiently and Effectively...

- ◆ Delivers top-quality public services.
- ◆ Manages its environment proactively, including:
 - Open space
 - Wildlife habitats
 - Water quality/conservation
 - Beach erosion
 - Air quality
 - Resource conservation and waste reduction
- ◆ Promotes a safe and efficient integrated transportation system.
- ◆ Maintains citywide "small town" community spirit.
- ◆ Provides a community where continuous and life-long learning is supported and encouraged for people of all ages.
- ◆ Looks ahead and works to anticipate changes that are required now in order to make a better future for its citizens.





CITY OF CARLSBAD

FINANCE DEPARTMENT

November 10, 2008

Honorable Mayor, City Council,
and Citizens of the City of Carlsbad
CITY OF CARLSBAD
Carlsbad, CA 92008

LETTER OF TRANSMITTAL 2007-08 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Honorable Mayor, City Council, and Citizens:

I am pleased to present the 2007-08 Comprehensive Annual Financial Report for the City of Carlsbad. The information found in this report is provided by management to the City Council and the public to assist those interested in understanding the fiscal condition of the City as of June 30, 2008.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not outweigh its benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

State law and the City's Municipal Code require that an annual financial report is prepared. This report fulfills that obligation. It has been prepared in conformity with generally accepted accounting principles (GAAP) and with the financial reporting requirements prescribed by the Governmental Accounting Standards Board (GASB). The independent auditing firm of Mayer Hoffman McCann has issued an unqualified ("clean") opinion on the City of Carlsbad's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion & Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Also, as a recipient of federal and state financial assistance, the City is required to have a "Single Audit" performed by our independent audit firm. The Single Audit was designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require that the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Compliance Reports and Other Financial Information. The results of the City's Single Audit for the fiscal year ended June 30, 2008 noted no material weaknesses in the framework of internal controls, or significant violations of applicable laws and regulations.

PROFILE OF THE CITY OF CARLSBAD

Carlsbad incorporated in 1952 as a General Law city, although its "village" area dates back more than 100 years. In June 2008, the voters of Carlsbad overwhelmingly approved the City to change to a Charter City. Carlsbad is located about 35 miles north of the City of San Diego on the southern California coast. The City is governed by a five-member City Council under the Council/Manager form of government. The City



Council is elected at large on a staggered basis for a term of four years. The City Clerk and City Treasurer are also elected to four-year terms. The City Council appoints the City Manager and City Attorney.

The City covers approximately 42 square miles and has a population of 103,811, with an expected build-out population of 110,000 residents. Industries in the City include three shopping centers; a regional mall, a specialty outlet center and a community center; a major family theme park; an auto mall; over 3,600 hotel rooms for tourist lodging; high-technology, multimedia, communication, and biomedical businesses; electronics, golf apparel, and equipment manufacturers; several business and light-industry parks; and numerous land developers.



This report includes financial statements for the City, the Housing Authority of the City of Carlsbad, the Carlsbad Public Improvement Corporation, the Carlsbad Redevelopment Agency, the Carlsbad Public Financing Authority, and the Carlsbad Municipal Water District. Through these entities, Carlsbad provides a full range of services to its citizens and customers including:

- Police protection services
- Development services
- Fire and paramedic services
- Street construction and maintenance
- Water delivery system
- Library and arts programs
- Wastewater system
- Recreation programming for all ages
- Solid waste services
- Park lands
- Housing programs

School programs and facilities are provided by four different school districts located, in part, within the City boundaries. Although the City Council has no direct control over these school districts, the City Council recognizes the importance of quality school facilities and programs to Carlsbad's residents. The City Council has worked closely with the schools in the past to provide assistance.

Budget Process

The Carlsbad Municipal Code requires that the City Manager annually prepare a budget for the City Council with a message describing important features, and assume responsibility for the budget's administration after adoption. The budget process begins in January each year with a review and update of the City Council's five-year vision statements and strategic goals for the City. The City Council

City of Carlsbad Strategic Goals

Balanced Community Development – Connect community, place, and spirit through balanced and economically sustainable land uses.

Citizen Connection & Partnership – Embrace community connectivity through the effective use of technological and interpersonal mediums.

Communication – Ensure that community members, Council and staff are well informed, continuing to be a more responsive government while providing a high level of citizen confidence in its government.

Environmental Management – Support an environmentally sensitive community by focusing on: conservation, storm water, wastewater collection and treatment, solid waste, and cost-effective and efficient use of energy including alternative energy sources.

Financial Health – Pursue and implement proactive strategies that support sustainable economic health and manage City resources effectively.

Learning, Culture & Arts – Promote and support continuous learning, cultural opportunities and the arts within the community and the City organization.

Parks/Open Space/Trails – Acquire, develop, and maintain a broad range of open space and recreational facilities that actively address citizen needs which are fiscally responsible, and are consistent with the General Plan and Growth Management Standards.

Safe Community – Maintain a safe and secure community through collaborative partnerships. Public safety providers support high standards, deliver protection of life and property and encourage community involvement in prevention and preparedness efforts.

Transportation/Circulation – Provide and support a safe and efficient transportation system that moves goods, services, and people through Carlsbad.

Water – Ensure, in the most cost-effective manner, water quality and reliability to the maximum extent practical, to deliver high-quality potable and reclaimed water incorporating drought-resistant community principles.

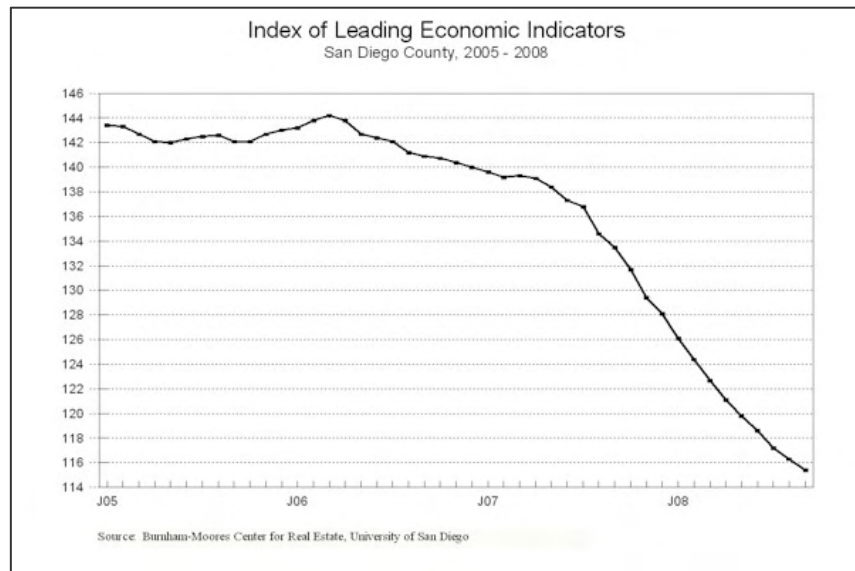
also provides the City with its top priority projects, which further defines the Council's vision. The goals and priority projects outline the methods used to achieve the vision and call out areas upon which the City Council would like to place special emphasis during the year. Once these are developed, staff develops operational goals based on the City Council's direction. These operational goals are the basis for the development of the annual budget.

Budgetary control for the City is maintained through its accounting systems. The City Council adopts the formal budget at the beginning of each fiscal year and may amend it throughout the year as necessary. Expenditures may not exceed budgeted figures at the fund level. Monthly reports summarizing the results of operations for the City's more significant funds are provided to the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Profile

The University of San Diego (USD) tracks the San Diego economy through its Index of Leading Economic Indicators. The USD index tracks six items to evaluate growth trends in the San Diego economy: unemployment filings, want ads, local stock prices, consumer confidence, building permits and the strength of the national economy. The index declined in September 2008 by 0.8%, which makes the 29th

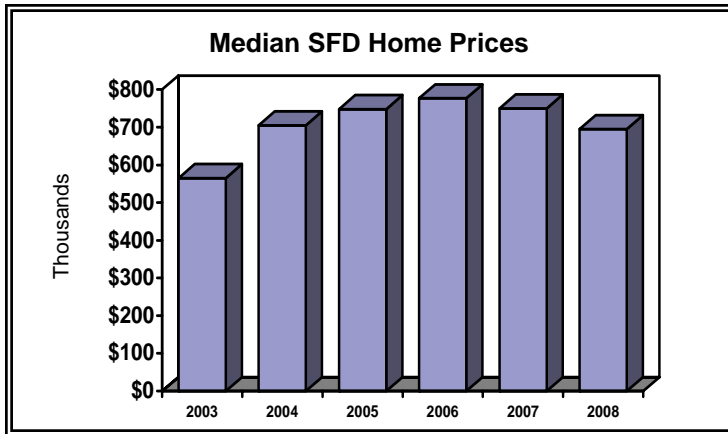


consecutive monthly decline in the index in the last 30 months. The decline was primarily led by unemployment filings, local stock prices and consumer confidence. It is anticipated that there will be a negative outlook for the San Diego Region through the first half of 2009. The economy requires stability in the housing market to help improve the economic outlook.

Carlsbad's economy is tied closely to that of the San Diego region, although development patterns may differ. Carlsbad has experienced strong growth in Fiscal Year 2007-08 in property and transient occupancy taxes (TOT), however the growth is expected to slow due to the uncertainty in the economy. For Fiscal Year 2007-08, property taxes grew by 8%, reflecting the continued increase in housing prices as well as new development. TOT, the City's gauge of the tourism industry, ended Fiscal Year 2007-08 showing a 10% gain, with a large part of that coming from three new hotels: the Sheraton Carlsbad Resort, Hampton Inn and Homewood Suites. Sales taxes were relatively flat during Fiscal Year 2007-08 due to the slower economy as well as a decline in auto sales.

Carlsbad's residential real estate market has slowed significantly throughout Fiscal Year 2007-08. The City issued 249 residential permits this year, a decrease from the 364 in the previous year. The number of permits declined due to a slow economy. There are a number of new residential communities under construction or in the final phases of development that will add to the residential housing stock in Carlsbad. The Villages of La Costa projects known as the Oaks North, the Greens and the Ridge are under construction, and will add approximately 970 single-family and 450 multi-family units. The Bressi Ranch area is almost complete with 523 single-family and 100 multi-family units developed. In addition, the Robertson Ranch area, which is expected to contain over 1,000 residential units, is finishing up its master

plan. The completion of these master planned communities will signal an end to the large-scale residential developments in Carlsbad.



As the housing market has cooled, the housing prices have slowed as well. The median price for single-family homes in Carlsbad was \$750,000 for April 2007 compared to \$695,000 for April 2008, a decrease of 7.3%. The total assessed values in the City for FY 2009 stand at over \$23.5 billion; an increase of nearly 49% over what they were just five years ago. With the new developments mentioned earlier starting to sell this year, the City has projected it will add about 1,407 more residential units and an

additional 2.5 million square feet of commercial/industrial development over the next five years. The City's residential housing stock is about 90% built out, with approximately 4,568 housing units remaining to develop.

Commercial and industrial development has also been slowing due to the economy with \$694,000 square feet permitted during Fiscal Year 2007-08 compared to 1.4 million square feet permitted during Fiscal Year 2006-07. It is expected to average 500,000 square feet per year over the next five years with the large industrial developments including Carlsbad Raceway, Oaks North Industrial Park and the La Costa Town Center. Some of the major companies in town include the Gemological Institute of America, ViaSat, Invitrogen, Callaway, Taylor Made, Upper Deck, and many others.

Commercial development has brought much needed entertainment and shopping venues to citizens and visitors alike, as well as generating additional sales taxes to help pay for City services. Carlsbad is home to Car Country Carlsbad – an auto mall; the Carlsbad Premium Outlets – a specialty outlet center; Plaza Camino Real – a regional shopping mall; a Costco center; and the Forum at Carlsbad - a commercial center with upscale retail shops, restaurants and other commercial uses.

Development has also enhanced Carlsbad's reputation as a destination resort for tourism. The City is host to a major family theme park: Legoland, and has two luxury resorts available for its visitors: the Four Seasons Resort at Aviara and the La Costa Resort & Spa. There are also a number of other quality hotels and motels in the City, with the most recent additions being the Sheraton Carlsbad Resort, Homewood Suites and Hampton Inn.

The City of Carlsbad opened a municipal golf course in August 2007, which is expected to further enhance the tourism attractions the City offers. The municipal golf course, The Crossings at Carlsbad, is an 18 hole, destination golf course set in the rolling hills and canyons of Carlsbad. With ocean views, a high quality golf experience, a first class restaurant and clubhouse, and linkages to hiking trails, The Crossings at Carlsbad is a destination spot for golfers and non-golfers alike.

The City's base sales taxes are projected to remain flat for Fiscal Year 2008-09 due to the slow economy. While the growth in housing prices is expected to moderate due to the depressed real estate market, there is a lag with the property tax revenue and therefore, according to the County Assessor, the City should expect property tax revenues to increase by over 7.6% for Fiscal Year 2008-09. New building permits are expected to continue to slow and the development related revenue items have been reduced accordingly for Fiscal Year 2008-09. And finally, tourism is expected to benefit from the three new hotels that were added during Fiscal Year 2007-08, with TOT receipts projected to grow by over 8% in the future.

For Fiscal Year 2008-09, the City's revenue projections reflect a slowing of the economy due to a weak

housing market, as well as higher oil and gas prices. Overall General Fund revenues are expected to be relatively flat during Fiscal Year 2008-09. One of the continued primary areas of risk in the forecast for Carlsbad is the impact of the State of California's budget deficit discussed below.

State of California



In addition to the soft housing market and a slow economy, the State of California's fiscal problems also cast a shadow on the City's economic future. The State of California has been in a severe fiscal crisis for a number of years. Through a variety of loans, one-time revenues, interfund borrowings and raids on city, county and special district funds, the State has been able to manage its cash flows and stay solvent. However, more drastic measures will be needed for the State to finally get its budget in balance.

According to the Legislative Analyst's Office (LAO), the State is facing significant deficits in future years despite the stronger revenues seen in the past few years. The LAO's analysis of the Governor's budget proposal for 2008-09 reflected that the State was projecting a \$22 billion deficit. While the State used several one-time solutions to finally balance its budget 85 days after the beginning of the fiscal year, it has been recently reported that the State is now projecting an \$11 billion deficit for Fiscal Year 2008-09. The deficit is due to the revenues received to date are not meeting budget expectations. In the past, the State has balanced its budget by taking City money, and the risk is that they may find a way to make it happen again.

Long-Term Financial Planning

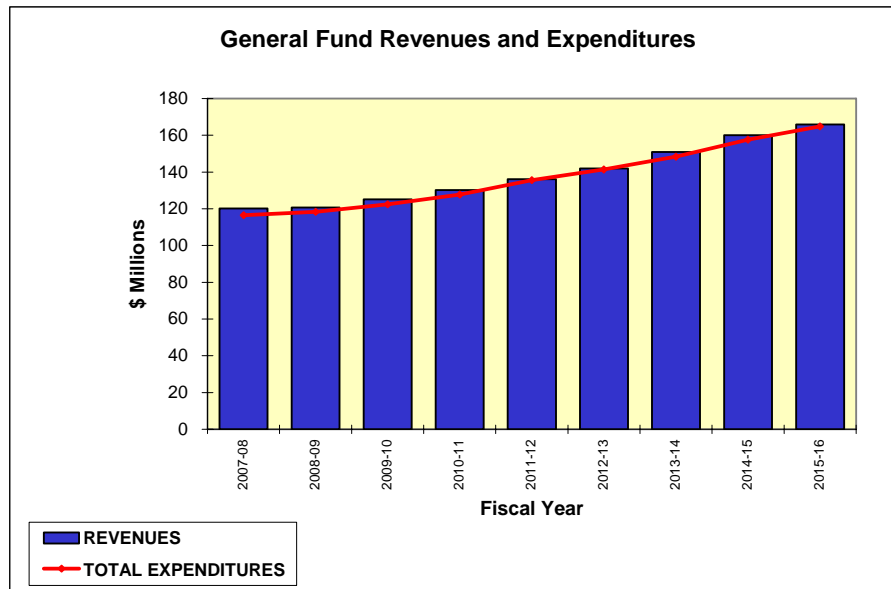
It is the City Council's goal to ensure that the City remains in good financial health, and the City has taken a number of steps to attain that goal. One of these is the Growth Management Plan. This plan was adopted by the citizens to ensure that all necessary public facilities are either constructed along with development or that a financing plan is in place to pay for the facilities prior to the development of the property. Thus, the initial capital facilities needed to support the growing population are provided without financially impacting the City or its current residents. The City also prepares a 15+ year Capital Improvement Program. As part of the Capital Improvement Program, the amounts needed to pay for the various projects as well as the operating budget impacts are calculated. In this way, the City can anticipate the effects of development from both a capital and an operating perspective.

While the City of Carlsbad has a long-term history of maintaining sufficient reserves, the City Council took formal action during Fiscal Year 2007-08 to adopt a reserve policy. The General Fund Reserve Policy sets a minimum reserve of 30% of the General Fund expenditures and also establishes a target reserve of 40-50%. This reserve can be used by the City Council for emergencies or one-time purposes.

In order to assure that the City has the funds to replace these facilities as they age, an Infrastructure Replacement Fund was created. With this fund, the City is setting aside money on an annual basis for major maintenance and replacement of its infrastructure. Much of the City's infrastructure is relatively new, therefore, the City has not felt the full impact of maintenance. By setting aside funds now, the citizens of Carlsbad can be assured that the proper maintenance and replacement, when needed, will be performed on streets, parks, and the many facilities for which the City is responsible. During Fiscal Year 2009, the City Council approved allocating \$7.8 million or 6.5% of the General Fund revenues to the Infrastructure Replacement Fund.

In addition to these steps, the City prepares a ten-year financial forecast for the General Fund each year, in order to understand the effects of actions taken today on the City's future. The City has experienced strong revenue growth over the past ten years due to the development of the majority of its commercial sites. The future will bring a few more commercial sites but at a slower pace, while residential development is expected to slow over the next few years especially with the current weak housing market. There are also quite a few City facilities – mainly parks and civic facilities – planned in the future to serve the growing population. The new facilities will add operating costs to the City's General Fund budget as they are completed and opened for use.

These factors alone could cause the General Fund costs to escalate at a higher rate than inflation. In addition, a number of other factors, including health care costs, have created upward pressure on expenditures, especially over the past several years. These factors have been incorporated into the General Fund forecast shown below and projected over the next ten years. While no forecast is ever totally accurate, it does represent a likely scenario given the assumptions on which it is built.



This forecast assumes that revenue growth will be flat for Fiscal Year 2008-09 and then very moderate growth for the following two years, assuming the economic slowdown will last two to three years. To project the expenditures, the 10-year forecast includes all known personnel costs, including any benefits negotiated with the employee groups.

The forecast assumes 10% annual increases in health care costs with the employees paying half of those increases. It also assumes personnel growth (new positions) to remain rather flat at no more than 1.2% per year. Cost of living increases between 3% and 4.5% have been added to personnel costs. Pension plan costs are anticipated to remain essentially at current levels. It assumes that the contribution from the General Fund to the Infrastructure Replacement Fund remains at 6.5% of General Fund revenues. And finally, it includes estimated operating costs for General Fund capital projects in the timeframes shown in the Capital Improvement Program (CIP). One of the biggest assumptions in the forecast is that services as reflected in the Fiscal Year 2009 Adopted Budget will remain the same. No new services have been anticipated, although growth in current services to match the growing population and increases in the consumer price index have been incorporated.

The results show that the General Fund is balanced into the future with much smaller surpluses than in previous years' forecasts. This reflects the current economic slowdown and uncertainty. In order to maintain a balanced ten-year forecast, position growth will be limited. There is a projected surplus in each year of 0% to 3% depending on which year. This achieves the goal set out by Council to maintain a balanced budget over the long term.

The ability to understand the future impacts of both changes in revenue sources as well as program needs is crucial to ensure that the City has the funds available to realize its future plans. The General Fund forecast is a tool available to the City to achieve the goal of managing its fiscal resources effectively and monitoring the achievement of sustainable economic health for the City of Carlsbad. When there is economic uncertainty, this long-term perspective becomes even more important.

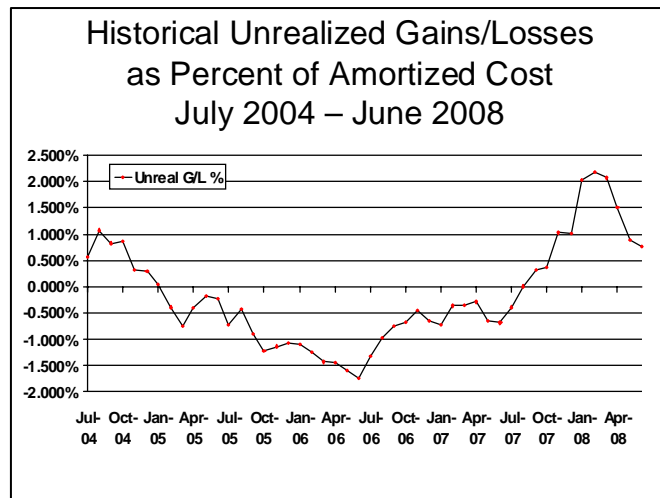
Cash Management

The City Treasurer is charged with the design of an effective cash management and investment program consistent with legal requirements and the Carlsbad Investment Policy. The City annually adopts a

comprehensive investment policy specifying, among other things, investment objectives and strategy, type, and term of investments, reporting requirements, and investment oversight. The City's investments generally include federal agencies, corporate notes, and investments in the State Treasurer's investment pool. The modified duration of the investments in the City's investment pool as of June 30, 2008 was 1.858. The average return realized on the pooled investments rose from 4.37% in Fiscal Year 2006-07 to 4.45% for Fiscal Year 2007-08.

Investment income shown in the financial statements includes changes in the fair value of investments as required under GAAP. Increases or declines in fair value during the current year, however, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts. This is especially true as the City holds most of its investments to maturity rather than selling them at fair value.

The graph at the right shows the amount of unrealized income reflected in the portfolio over the last few years. The total portfolio had virtually no unrealized gain or loss on June 30, 2008. According to the City Treasurer, "An unrealized gain of approximately 2% occurred in March 2008, but due to sharp increases in called bonds and lower interest rates, the gain decreased. It is likely that a downward trend will occur in Fiscal Year 2008-09 as investments with higher interest rates are called and reinvested at today's lower market rates."



Major Initiatives

Two new facilities were opened during Fiscal Year 2007-08, the Library Learning Center and the Poinsettia Park Tennis Courts. A total of two positions were added to help maintain and operate these two new facilities. Due to the economic uncertainty there were very few changes to the Fiscal Year 2008-09 operating budget.

Several significant projects are in design or under construction over the next few years. These include:

- The **Alga Norte Park and Aquatic Center** consists of 30 acres in the Southeast Quadrant with planned amenities that include ball fields, soccer fields, picnic areas, tot lots, a skate park, a dog park, restrooms, parking facilities, and an aquatic center. The aquatic center plans to include a 50-meter competition pool, a 12-lane instructional pool and a therapy pool as well as a water play area with slides. A swimming pool complex was one of the projects approved by the voters through Proposition C in 2002. The total cost of the park is estimated to be \$22.1 million. The total cost of the aquatic center is estimated to be \$28.3 million. At this time, the City is reviewing the timing and phasing options for the various components of this project.



- The **Leo Carrillo Park – Phase III** represents the third phase of this historic park facility restoration, and includes renovation of additional buildings, construction of additional restrooms, an arboretum area, and transformation of a barn into a community theater. The total cost is approximately \$2.9 million and design is expected to begin in Fiscal Year 2009-10. In addition, in Fiscal Year 2008-09 the City plans to expand the event area and construct a new patio area of approximately 2,500 square feet to provide a more attractive venue for events.
- The **Public Works Center** will include offices, shops, a yard, warehouse and parking to accommodate the Public Works Department. Initial estimates put the cost at approximately \$28.1 million.
- The **Joint First Responders Training Facility** project was authorized under Proposition C, which was approved in 2002. Preliminary design work is currently underway. In addition to a shooting range, the facility may include a fire training tower, a residential training prop, and a fire administration building with classroom and storage facilities. The estimated cost to complete the project is approximately \$24.5 million.



- Relocation of **Fire Station No. 3**, which is currently located at the corner of Chestnut and Catalina, is needed to help ensure a five-minute response time as the City grows eastward. The new station is budgeted as a 6,200 square foot facility. Total cost is approximately \$7.0 million.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Carlsbad for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. This was the tenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

This report has been a joint effort by many people from many different areas of responsibility. It could not have been accomplished without their help and the dedicated efforts of all of the accounting staff, especially Kevin Branca, Assistant Finance Director. I also appreciate the staff of Mayer Hoffman McCann for the professional way in which the audit of this financial report was conducted. It has been a pleasure to work with them throughout this period. Additionally, I would like to thank the City Council, City Manager and the City's Leadership Team for their leadership and unfailing support in maintaining the highest standards of professionalism in the management of the City of Carlsbad's finances.

Respectfully submitted,

LISA IRVINE
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Carlsbad
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

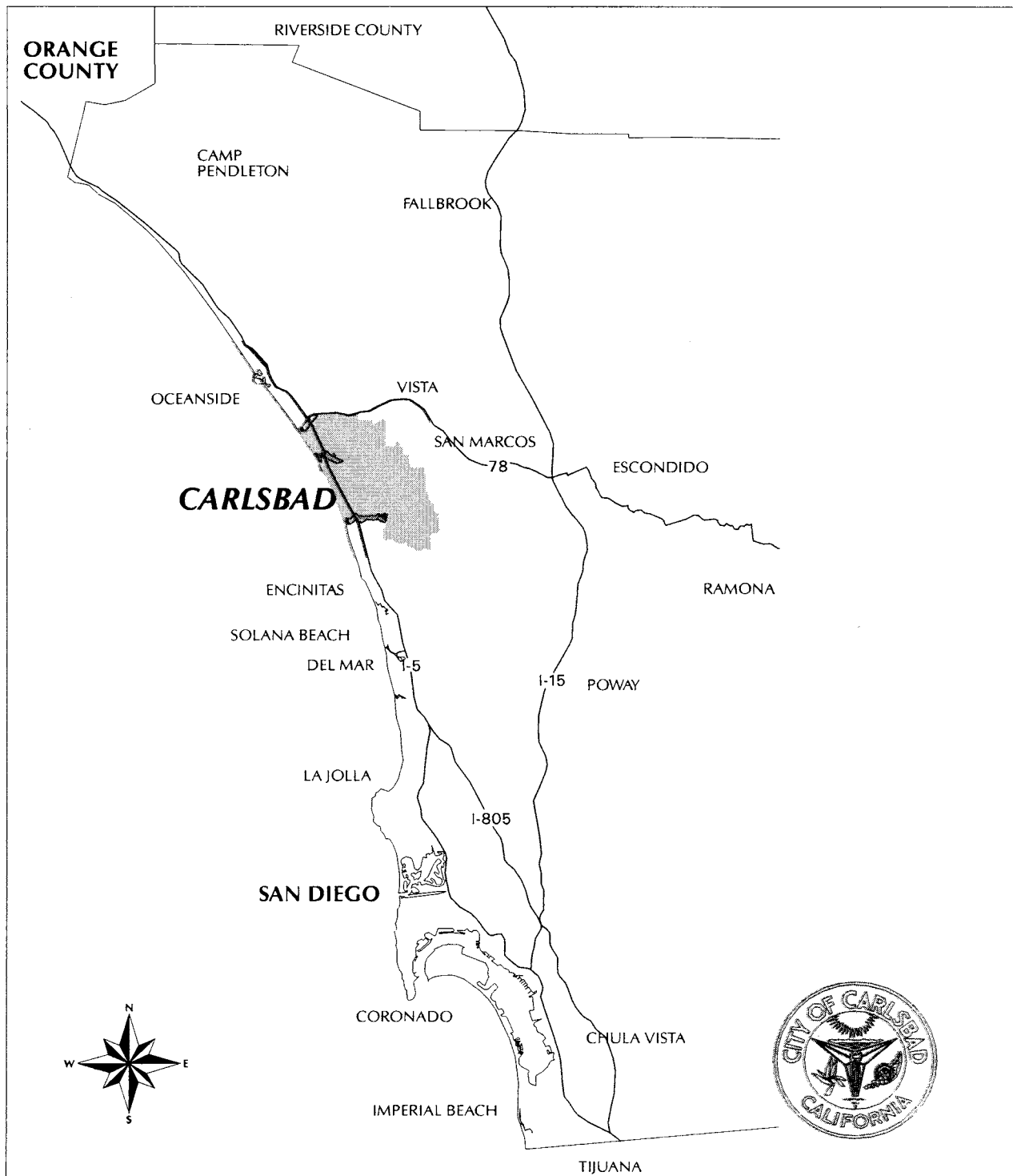


Charles S. Cox

President

Jeffrey R. Emer

Executive Director



CITY OF CARLSBAD

ELECTED CITY OFFICIALS

Claude A. “Bud” Lewis, Mayor
Ann J. Kulchin, Mayor Pro Tem
Matt Hall, Council Member
Julie Nygaard, Council Member
Mark Packard, Council Member

Lorraine M. Wood, City Clerk
Harold “Mac” McSherry, City Treasurer

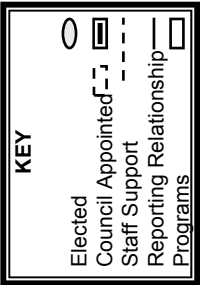
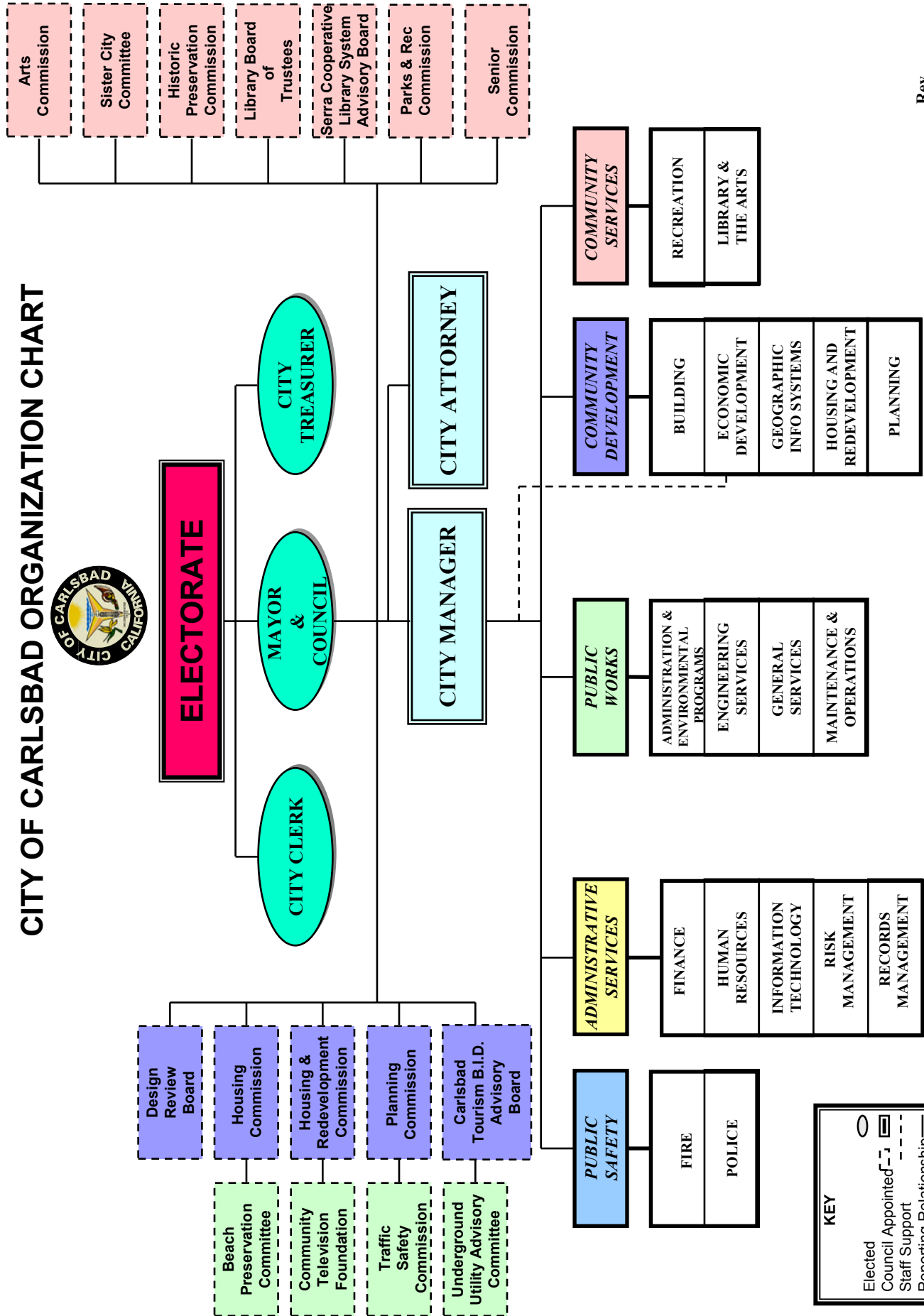
LEADERSHIP TEAM

Lisa Hildabrand, City Manager
Vacant, Assistant City Manager
James F. Elliott, Deputy City Manager
Glenn Pruim, Public Works Director
Sandra Holder, Community Development Director
Tom Zoll, Police Chief
Kevin Crawford, Fire Chief
Ron Ball, City Attorney

CHAIRPERSONS, COMMISSIONS AND BOARDS

Heath Fox	Arts Commission
Richard Erhardt	Beach Preservation Committee
April Shute	Carlsbad Tourism Business Improvement District Board
Bob Bender	Community Television Foundation
Vacant	Design Review Board
Sue Ladouceur	Historic Preservation Commission
Vacant	Housing Commission
Claude A. Lewis	Housing and Redevelopment Commission
William Kamenjarin	Library Board of Trustees
Sally Lyons	Parks and Recreation Commission
Julie Baker	Planning Commission
Jack Nelson	Senior Commission
Vacant	Serra Cooperative Library System Advisory Board
Jacquie Thye	Sister City Committee
Vacant	Traffic Safety Commission
Vacant	Underground Utility Advisory Committee

CITY OF CARLSBAD ORGANIZATION CHART





Financial Section



Mayer Hoffman McCann P.C.

An Independent CPA Firm

Conrad Government Services Division

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City Council
City of Carlsbad, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Carlsbad. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, California, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, of the City of Carlsbad, California and the respective budgetary comparison information for the general fund of the City for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described further in note 17 to the financial statements, the City changed its method of accounting for postemployment benefits for fiscal years ending on or after June 30, 2008.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlsbad's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and other schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



City Council
City of Carlsbad, California
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayor Hoffman McLean P.C.

Irvine, California
October 15, 2008

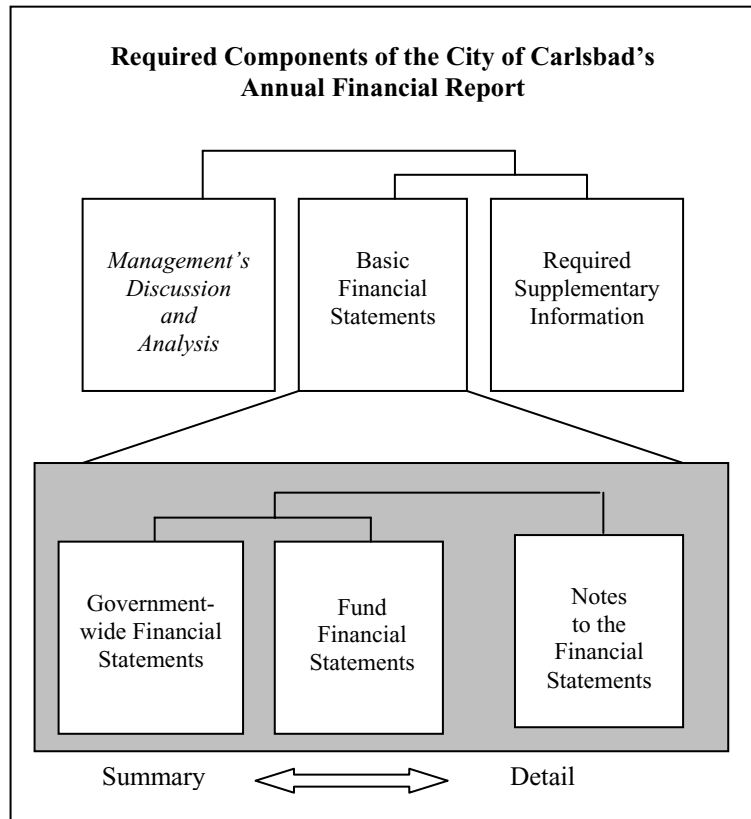
Management's Discussion and Analysis

As management of the City of Carlsbad ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. This analysis will focus on the significant changes in an effort to explain the City's overall financial condition. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal.

Overview of the Financial Statements

This section of the annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual* parts of the City government, reporting the City's operations in *more detail* than the Government-wide Statements.
 - The *Governmental Funds Statements* detail how *general government* services such as public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary Fund Statements* offer *short- and long-term* financial information about the activities the City operates *like businesses*, such as the water and wastewater services.
 - *Fiduciary Fund Statements* provide information about the financial relationships – such as contractor and miscellaneous deposits – in which the City acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are accompanied by *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining fund statements that provides detail about our non-major governmental funds, internal service funds, and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Financial Statements

The Government-wide Financial Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes *all* of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide Financial Statements report the City's *net* assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health, or *position*. Over time, increases or decreases in the City's net assets are an indicator of whether the City's financial health is improving or deteriorating, respectively. One needs to consider additional non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Government-wide Financial Statements of the City are divided into two categories:

- *Governmental activities* – Most of the City's basic services, such as police, fire, public works, community services, community development, and general administration, are included here. Taxes, revenues from other governments and agencies, income from property and investments, grants and contributions, and charges for services finance most of these activities.
- *Business-type activities* – The City charges fees to customers to cover the costs of certain services it provides. The City's water, wastewater, solid waste services and municipal golf course are the primary business-type activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law and bond covenants, while the City establishes other funds to control and manage money for particular purposes (such as the developer impact fee funds) or to show that it is properly using certain taxes and grants (such as the Section 8 Rental Assistance Fund).

The City has three kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds. These funds are used to account for (1) *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) balances left at year-end that are available for spending. Consequently, the Governmental Funds Statements provide a detailed *short-term* view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the City's programs. These statements are presented on a modified accrual basis of accounting. A reconciliation between the long-term and short-term focus of the Government-wide Financial Statements is provided immediately following each statement. There are currently four governmental fund types being used by the City: the *General Fund*, *special revenue funds*, *debt service funds* and *capital project funds*.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-wide Financial Statements, provide both long- and short-term financial information, and are presented on an accrual basis of accounting.
 - There are two types of proprietary funds: *enterprise funds* and *internal service funds*.
 - We use *enterprise funds* to report activities that provide business-type services, generally to external customers – such as water, wastewater, trash and golf services. In both the Government-wide Financial Statements and the Fund Financial Statements, these funds are shown under business-type activities.
 - We use *internal service funds* to report activities that provide services and supplies for the City's other programs and activities – such as fleet, self-insured benefits, and information technology.

- *Fiduciary funds* – These funds are used to account for situations where the City’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the City’s Government-wide Financial Statements because the City cannot use these assets to finance its operations.

Financial Analysis of the City as a Whole

Net Assets

The City’s *combined* net assets as of June 30, 2008, as shown below, were \$1.6 billion. The City’s net assets increased by \$140.1 million during the current fiscal year. Approximately 26% of this increase represents the degree to which increases in operating revenues have exceeded increases in operating expenses. Approximately 74% represents one-time capital grants and contributions received by the City for the purchase and acquisition of infrastructure and other capital assets.

CITY OF CARLSBAD'S NET ASSETS (in millions of dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2007	2008	2007	2008	2007	2008	2007-08
Current and other assets	\$474.8	\$502.9	\$109.0	\$90.0	\$583.8	\$592.9	1.6%
Capital assets	658.4	725.0	305.4	344.1	963.8	1,069.1	10.9%
Total assets	1,133.2	1,227.9	414.4	434.1	1,547.6	1,662.0	7.4%
Long-term debt outstanding	13.1	11.9	54.0	53.0	67.1	64.9	-3.3%
Other liabilities	20.0	16.3	23.5	11.1	43.5	27.4	-37.0%
Total liabilities	33.1	28.2	77.5	64.1	110.6	92.3	-16.5%
Net assets							
Invested in capital assets, net of related debt	646.0	713.0	253.6	292.7	899.6	1,005.7	11.8%
Restricted	221.4	235.8	47.2	44.7	268.6	280.5	4.4%
Unrestricted	227.8	250.9	33.6	32.6	261.4	283.5	8.5%
Total net assets	\$1,095.2	\$1,199.7	\$334.4	\$370.0	\$1,429.6	\$1,569.7	9.8%

As noted earlier, net assets may serve over time as a useful indicator of the City’s financial position. For the City of Carlsbad, assets currently exceed liabilities by \$1.6 billion at the close of the most recent fiscal year.

A large portion of the City’s net assets (64%) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves usually won’t be used to liquidate these liabilities.

An additional portion of the City’s net assets (18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$283.5 million) may be used to meet the government’s ongoing obligations to citizens and creditors.

Just under 55% of the \$250.9 million in unrestricted governmental activities net assets is attributable to the General Fund. Net assets invested in capital assets net of related debt for the City’s business activities increased by \$39.1 million during Fiscal Year 2007-08 due primarily to the receipt of developer donated assets during the year and the completion of the City’s new municipal golf course. A portion of business-type net assets represents the City’s

municipal golf course. At the end of Fiscal Year 2007-08, there is a large deficit in unrestricted net assets for the Golf Course Fund. This is the result of the General Fund advancing money to the Golf Course Fund for the construction of the course.

Changes in Net Assets

The condensed summary of activities, which follows, shows that net assets increased by \$140.1 million during the year. This increase occurs when spending is less than the revenues received. There were several reasons for the increase in net assets: an emphasis on efficiencies resulting in a reduction in expenses/expenditures, \$18.4 million in “savings” in the General Fund being carried forward into the new fiscal year by various major service areas within the City to enhance and provide for future services and programs, the build-up of cash reserves in the City’s capital project and enterprise funds for future capital project construction and acquisition, revenues received in the City’s special revenue funds for future services and programs, and the donation of infrastructure assets from developers.

CITY OF CARLSBAD'S CHANGES IN NET ASSETS (in millions of dollars)							
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2007	2008	2007	2008	2007	2008	2007-08
Revenues							
Program revenues							
Charges for services	\$17.2	\$21.8	\$31.7	\$38.9	\$48.9	\$60.7	24.1%
Operating grants and contributions	17.6	11.4	2.3	1.3	19.9	12.7	-36.2%
Capital grants and contributions	49.3	73.7	25.1	30.2	74.4	103.9	39.7%
General revenues							
Property taxes	49.3	52.7	2.5	2.7	51.8	55.4	6.9%
Sales and use taxes	27.4	27.0	-	-	27.4	27.0	-1.5%
Other taxes	22.6	23.6	-	-	22.6	23.6	4.4%
Income from property and investments	21.5	25.0	7.6	9.0	29.1	34.0	16.8%
Other	1.3	0.5	-	-	1.3	0.5	-61.5%
Total revenues	206.2	235.7	69.2	82.1	275.4	317.8	15.4%
Expenses							
General government	17.2	14.5	-	-	17.2	14.5	-15.7%
Public safety	38.3	42.8	-	-	38.3	42.8	11.7%
Community development	13.9	15.7	-	-	13.9	15.7	12.9%
Community services	17.9	18.9	-	-	17.9	18.9	5.6%
Public works	37.3	36.0	-	-	37.3	36.0	-3.5%
Interest on long-term debt	0.7	0.7	-	-	0.7	0.7	0.0%
Carlsbad Municipal Water District	-	-	42.9	28.8	42.9	28.8	-32.9%
Golf course	-	-	0.2	7.3	0.2	7.3	3550.0%
Wastewater	-	-	9.6	10.4	9.6	10.4	8.3%
Solid waste	-	-	1.9	2.6	1.9	2.6	36.8%
Total expenses	125.3	128.6	54.6	49.1	179.9	177.7	-1.2%
Excess (deficiency) before transfers	80.9	107.1	14.6	33.0	95.5	140.1	46.7%
Transfers	0.4	(2.6)	(0.4)	2.6	-	-	
Increase (decrease) in net assets	81.3	104.5	14.2	35.6	95.5	140.1	46.7%
Beginning net assets	1,013.9	1,095.2	320.2	334.4	1,334.1	1,429.6	7.2%
Ending net assets	\$1,095.2	\$1,199.7	\$334.4	\$370.0	\$1,429.6	\$1,569.7	9.8%

Just under 44% of the revenues of the City's governmental funds are generated through taxes collected (property, sales, transient occupancy tax, etc.), and just over 47% of the City's business-type revenue is generated through charges for services. The chart to the right graphically depicts the City's revenue sources.

The opening of the City's new municipal golf course added \$6.3 million in charges for services during the year. A major factor in the large decrease in operating grants and contributions was the \$6.3 million reimbursement the City received from the Federal Highway Administration for reimbursement of the 2005 winter storm damage in the City last fiscal year.

Developers in La Costa Greens, La Costa Oaks, La Costa Ridge, Bressi Ranch, Thompson/Tabata and the Palomar Forum contributed over \$71 million in infrastructure to the City in Fiscal Year 2007-08, accounting for the large increase in capital contributions. Income from property and investments was impacted by a 206% increase in the fair market value of investments adjustment made at June 30, 2008 as compared to the previous year end adjustment (GASB 31 application), a 2% increase in the average yield on the Treasurer's portfolio for the fiscal year, and an overall increase in the City's total cash of just over 2% for the year.

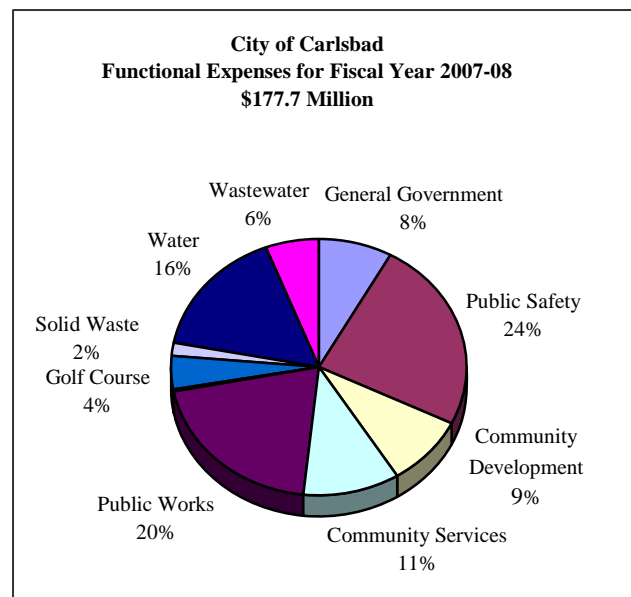
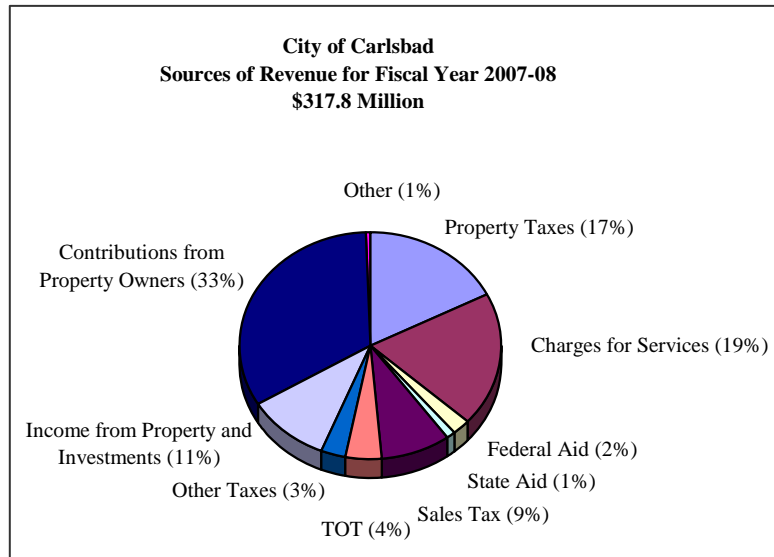
The total cost of all programs and services was just under \$178 million in Fiscal Year 2007-08. Some of the significant factors affecting the change in expenses from Fiscal Year 2006-07 to Fiscal Year 2007-08 included the opening of the City's municipal golf course, the transfer of funds from the Self Insured Benefits Fund for the funding of retiree healthcare costs as required under GASB 45 (an increase in governmental activity expenses), and the City settled a lawsuit regarding a landslide at the Marbella Condominiums for \$11.3 million in the prior fiscal year (a decrease in Carlsbad Municipal Water District expenses). The City's expenses cover a range of services:

- General Government (8%)

This segment of the City is divided into two major groups, the Policy and Leadership group and the Administrative Services group. The Policy and Leadership group encompasses all elected officials, the chief executive offices for the City and the Communications team. The Administrative Services group includes Finance, Human Resources, Information Technology, Risk and Records Management. Also included in General Government are any Council directed special projects including repairing storm damages and sink hole repairs.

- Public Safety (24%)

Public Safety has always been a top City Council priority. This major service area includes the Police Department, whose goal is to provide quality service to the community to ensure the preservation of life and property and the maintenance of law and order. The Fire Department is also part of this major service area with a mission to enhance the quality of life by delivering exceptional services in safeguarding lives, property, and our environment.



- Community Development (9%)

The mission of Community Development is helping people build a strong community by guiding and facilitating high quality projects, preserving the environment, providing for diverse housing and employment, and maintaining a strong economic base. Community Development encompasses the Land Use Planning, Geographic Information Systems (GIS), Economic Development and Real Estate Management, the Hiring Center, Housing and Redevelopment, and Building Inspection departments.

- Community Services (11%)

Community Services consists of the Libraries, Cultural Arts, Recreation, Park Planning, and Senior Citizen programs. These programs are provided to a wide range of people, and assist in their education and cultural development.

- Public Works (20%)

Public Works is responsible for building and maintaining all of the infrastructure assets of the City. This service area includes Engineering, Parks, Streets, Medians, Street Trees, the Buena Vista Channel, Facilities Maintenance, Building Maintenance, Street Lighting and Traffic Sign and Signal Maintenance programs.

- Golf Course (4%)

The City of Carlsbad opened a municipal golf course in the summer of 2007, which has further enhanced the tourism attractions the City offers. The municipal golf course, The Crossings at Carlsbad, is an 18-hole, destination golf course set in the rolling hills and canyons of Carlsbad. With ocean views, a high quality golf experience, a first class restaurant and clubhouse, and linkages to hiking trails, The Crossings at Carlsbad is a destination spot for golfers and non-golfers alike.

- Solid Waste (2%)

The Solid Waste Division of the Public Works Department promotes cost-effective solid waste management programs through recycling, source reduction, composting, solid waste transfer, and other non-traditional programs. In addition, funding for Citywide programs related to storm water protection from pollution; coordination with local, State and federal governments; and compliance with the Existing Development section of the National Pollutant Discharge Elimination System (NPDES) Urban Storm Water Permit issued by the San Diego Regional Water Control Board are accomplished in this area.

- Water Operations (16%)

The Carlsbad Municipal Water District, a subsidiary of the City of Carlsbad, provides potable and recycled water service to approximately 85% of the City (approximately 27,000 customers). The District purchases 100% of its potable water as treated water from the Metropolitan Water District and the San Diego County Water Authority. The District also provides recycled water for irrigation purposes.

- Wastewater Operations (6%)

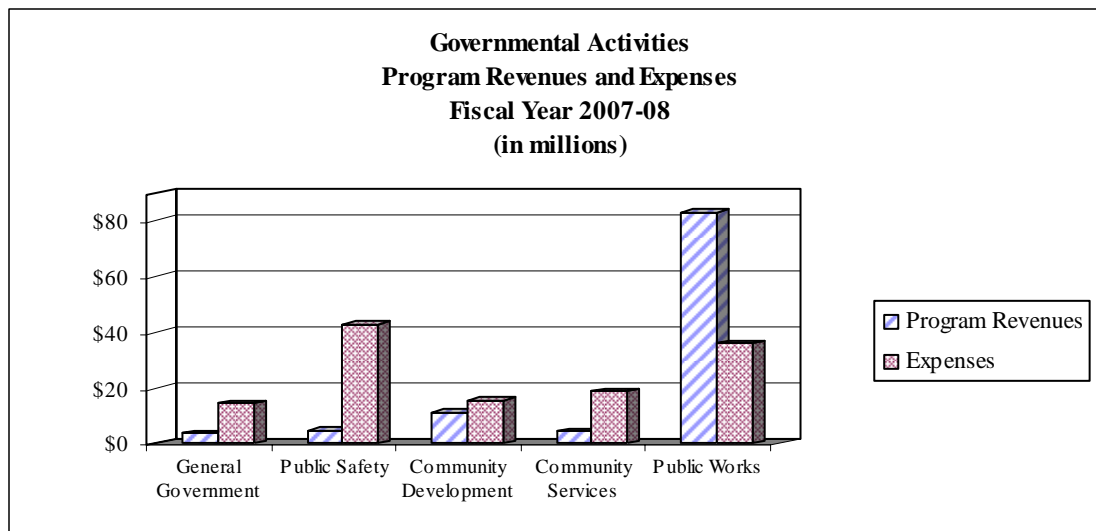
The City of Carlsbad operates and maintains a sanitary sewer collection system, which covers approximately 65% of the geographic area of the City. Sewage is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the cities of Carlsbad and Vista, the Leucadia County Water District, the Vallecitos Water District, the Buena Vista Sanitation District, and the Encinitas Sanitary District.

The following sections will provide information about the operations of the governmental and business-type activities separately.

Governmental Activities

The increase in net assets for *governmental* activities was \$104.5 million. This increase was generated by total revenues of *governmental* activities of \$235.7 million (\$106.9 million in program revenues and \$128.8 million in general revenues) offset by \$128.6 million in total costs of *governmental* activities and a \$2.5 million transfer to the Water Funds and a \$139,000 transfer to the Solid Waste Fund.

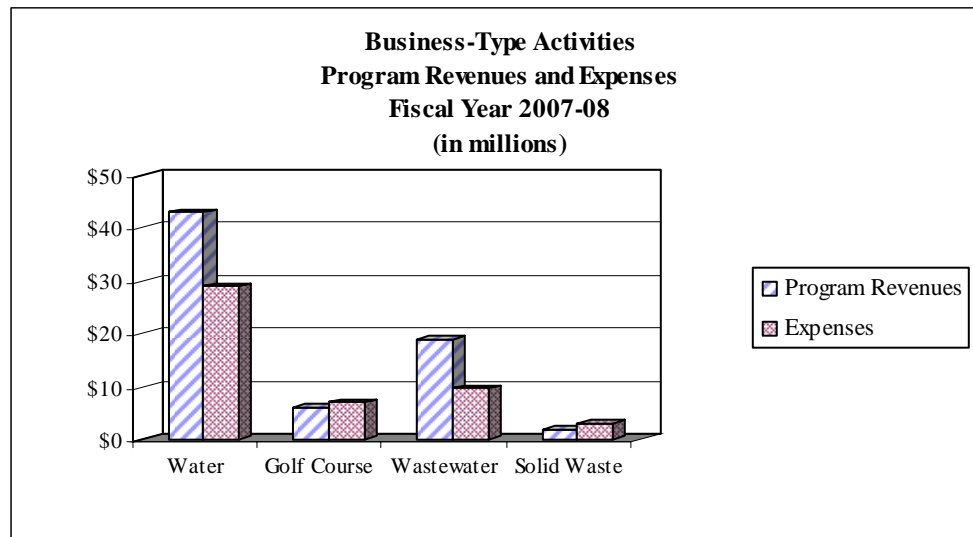
The table below presents the total cost of each of the City's major programs, as well as each function's program revenue (fees generated by the activities, contributions, and intergovernmental aid). The net cost (the difference between adjoining bars in the graph) shows the financial burden that was placed on the City's taxpayers by each of these functions (costs covered by general revenues).



Revenues are generated through several sources to cover the cost of the City's programs. These revenues include fees and charges paid by those who directly benefit from the programs (\$21.8 million), grants and contributions from other governments and organizations which subsidize certain programs (\$85.1 million), and taxes and other revenues (such as income from property and investments) received by the City to pay for the "public benefit" portion, totaling \$128.8 million.

Program revenues exceed expenses in Public Works. The majority of Public Works revenues are used to acquire and build capital assets (versus covering operating expenses). Many of these projects will begin construction once sufficient funds have been accumulated. In addition, the donation of capital assets from developers (\$44.7 million this fiscal year) is reflected in the program revenues for Public Works. Capital assets are generally constructed or purchased once sufficient revenue has been accumulated to pay for the cost. The City is currently in a developing or growing stage, and master plans are continuing to be designed to construct these new facilities, roads, parks, and other City-owned infrastructure. Several master planned communities have recently been completed or are near completion (Bressi Ranch, La Costa Greens, and La Costa Ridge), and these developers recently dedicated infrastructure to the City as required to develop in the City.

Business-Type Activities



Program revenues for the City’s business-type activities totaled \$82.1 million for the year, while functional expenses equaled \$49.1 million. The City’s new municipal golf course opened to the public during the summer of 2007. As this golf course is brand new, it was anticipated that there will be some additional “grow-in” costs during the first couple years of operation. The solid waste program was the only other program where program expenses exceed program revenues. The costs in this program increased during the year in order to comply with the 2007 Storm Water Permit requirements; an unfunded State mandate. During the year, an additional 2.5 positions were added to the program in order to meet the requirements of the permit.

Water and wastewater program revenues are higher than program expenses primarily due to capital contributions in the form of capital connection fees, and developer constructed assets donated to the City. Capital construction expenses are spread over the life of an asset as annual depreciation charges (program expenses).

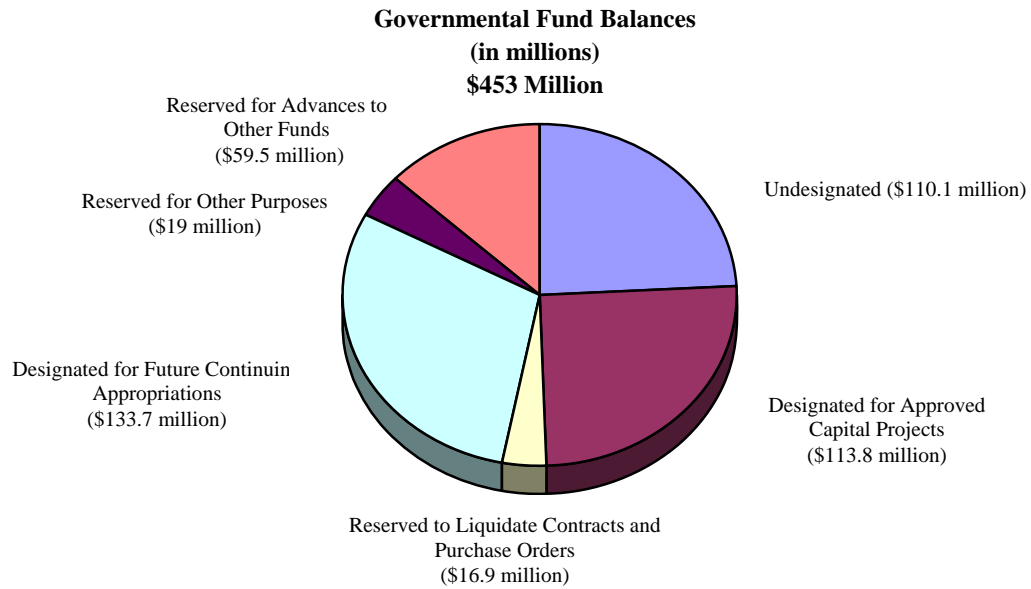
A more detailed discussion of each of the enterprises can be found in the Proprietary Funds Section.

Financial Analysis of the City’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the current Comprehensive Annual Financial Report (CAFR), no changes were made in the reporting of any funds.

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.



As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$453 million, an increase of \$34.9 million in comparison with the prior year. Approximately 24% of this amount (\$110.1 million) constitutes undesignated fund balance, which is available for spending at the government's discretion based on the purpose for which it was received. The remainder of the fund balance is reserved or designated to indicate that it is not available because it has already been committed (1) for future capital projects - 25%, (2) for future programs - 30%, (3) advances to other funds - 13% (4) to liquidate contracts and purchase orders of the prior period - 4%, or (5) for a variety of other restricted purposes - 4%.

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (in millions of dollars)				
	Total		Increase (Decrease)	Total Percentage Change
	2007	2008	2007-08	
Revenues				
Taxes	\$94.1	\$98.4	\$4.3	4.6%
Intergovernmental	9.3	3.3	(6.0)	-64.5%
Licenses and permits	2.1	2.0	(0.1)	-4.8%
Charges for services	7.6	7.5	(0.1)	-1.3%
Fines and forfeitures	1.3	1.3	0.0	0.0%
Income from property and investments	5.9	5.1	(0.8)	-13.6%
Miscellaneous	0.7	0.9	0.2	28.6%
Total revenues	121.0	118.5	(2.5)	-2.1%
Expenditures				
General government	17.8	13.8	(4.0)	-22.5%
Interdepartmental charges	(2.1)	(2.3)	(0.2)	9.5%
Public safety	39.6	43.5	3.9	9.8%
Community development	6.9	7.5	0.6	8.7%
Community services	16.4	16.9	0.5	3.0%
Public works	20.3	22.1	1.8	8.9%
Total expenses	98.9	101.5	2.6	2.6%
Excess (deficiency) before transfers	22.1	17.0		
Other financing sources (uses)	1.4	0.0		
Transfers in	0.0	0.6		
Transfers out	(7.5)	(19.2)		
Increase (decrease) in fund balance	16.0	(1.6)		
Beginning fund balance	106.6	122.6		
Ending fund balance	\$122.6	\$121.0		

The General Fund is the main operating fund of the City, and at the end of the fiscal year had a total fund balance of \$121 million, a decrease of \$1.6 million. The unreserved fund balance portion of the General Fund was \$64.5 million, of which \$18.4 million was designated for future programs and service enhancements.

The decrease in revenues was primarily due to reimbursements received from the Federal Highway Administration (FHWA) for the 2005 winter storm damage in the City during the prior fiscal year; the effects of a weak housing market (both resales and the construction of new homes) on development related services revenues, building permits and real

property transfer taxes; a reduction in the franchise fee paid by San Diego Gas & Electric (from reduced sales to the Cabrillo Power Plant); and interest received from the Golf Course Fund on the advance from the General Fund in the prior fiscal year (the General Fund received no advance repayments from the Golf Course Fund during the current fiscal year).

The increase in General Fund expenditures was driven by the following factors:

- Normal salary and benefit increases.
- The purchase of a fire rescue ambulance and replacement equipment.
- The purchase of furniture and equipment for the Senior Center expansion.
- An increase in routine and emergency traffic signal maintenance.
- The upgrading of the City's financial information system.
- Costs related to the 2007 fires in San Diego County.
- Costs related to the Tamarack Avenue sink hole emergency repair.
- The partial funding of the Joint First Responders Training Facility.

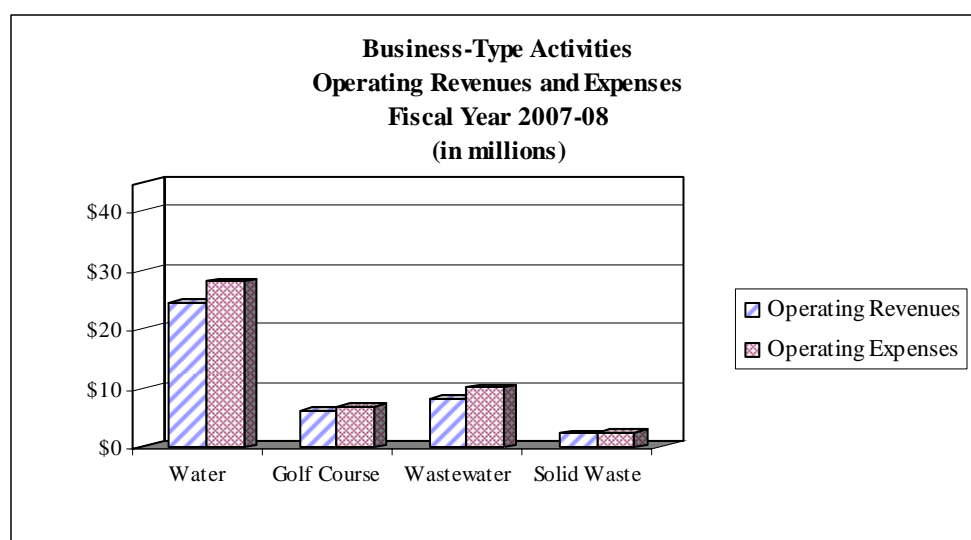
One major governmental fund, the Redevelopment Debt Service Fund, had a negative fund balance of just over \$12.1 million. This deficit was created when the City's General Fund loaned the agency money to cover debt service charges during the period soon after the agency's bonds were issued, but prior to the agency being able to support the debt service with property tax increment revenues alone. Over the past couple of fiscal years, the agency has begun to repay the \$15.5 million advance back to the City's General Fund, as the tax increment collected within the redevelopment area grows.

Of the five remaining major governmental funds, only one fund saw their fund balance decline during the fiscal year. The Assessment and Other Districts Funds purchased several large infrastructure assets including Poinsettia Lane, Faraday Avenue and Melrose Drive.

The four remaining major governmental funds, which are all capital project funds, had increases in their fund balances during the year. These increases in fund balances are predominantly designated for the construction or purchase of future capital assets.

Proprietary Funds

The purpose of the City's proprietary funds is to provide short and long-term financial information about the City's business-type activities. The analysis focuses on the determination of operating income, changes in net assets (cost recovery), financial position, and cash flows.



The Carlsbad Municipal Water District (CMWD) funds had an operating loss of approximately \$3.8 million for the year. Although water sales increased by almost 4% for the year from a combination of a 9% rate increase and a 5% decrease in the number of units sold, operating expenses of \$28.1 million exceeded operating revenues by \$3.8 million. Operating expenses were actually down compared due to the prior year due to fact that the CMWD settled a lawsuit (including attorney costs) regarding a landslide at the Marbella Condominiums for \$11.3 million. Factors affecting this year's operating expenses included increased Encina plant operation expenses for operating the City's new recycled water facility on a full-time basis; a 7% per unit cost increase for purchased water; a 10% increase in fixed charges from the Metropolitan Water District and the San Diego County Water Authority (suppliers of the City's potable water); and increased depreciation expenses due to the recently completed recycled water facility and other newly acquired/constructed water infrastructure assets. Investment earnings and property tax receipts completely offset the operating loss, resulting in income before transfers and capital contributions of \$2 million.

The City's new municipal golf course (The Crossings at Carlsbad) was opened to the general public in August 2007. The Golf Course Fund issued \$18.5 million in bonds during the previous fiscal year, with the first debt service payment made in September 2007. The City has also advanced the Golf Course Fund \$48.6 million to help fund the construction of the course. The loan from the City and the bond proceeds are anticipated to be repaid through user fees and other revenues of the golf course. If the golf course net revenue is not sufficient to cover the debt service payment, the General Fund will make the payment. In the first year of operation, the Golf Course Fund had an operating loss of \$600,000. As this was the first year of operation, it was anticipated the fund would have an operating loss due to "grow-in" costs.

The Wastewater Funds had an annual operating loss of approximately \$1.9 million for the fiscal year. Total revenues from operations increased 4% from the previous year; the result of a 10.6% rate increase, partially offset by additional revenues received from the City of Vista last fiscal year to reimburse the City for their share of a wastewater project. However, this increase in revenues was offset by a 9% increase in wastewater expenses

including higher staffing and chemical costs related to the new Encina office building; increased depreciation expenses as a result of recently acquired wastewater infrastructure, facilities and equipment; the filling of previously vacant positions; costs related to a new work order system; and costs related to the wastewater rehab at the Agua Hedionda Lagoon. Non-operating revenues (investment earnings) more than offset the operating loss, resulting in a gain of \$1.4 million for the year.

Solid Waste operations and the Storm Water Protection Program are combined on the City's financial reports, and showed a slight operating loss for the year of \$310,000. Revenues increased in the current year by approximately 13%. This increase is the result of a 7.8% rate increase and additional customers receiving solid waste services in the City. Operating costs increased 36% due to the additional staff added to assist with the compliance of the storm water permit. These costs included personnel expenses (salaries and benefits), additional maintenance and operations expenses, and two additional trucks.

Unrestricted net assets for the Water, Golf Course, Wastewater, and Solid Waste operations at the end of the year amounted to \$32.6 million, or approximately 9% of the net assets of these proprietary funds. These assets will be used for future rate stabilization efforts, any emergency situations and the replacement of infrastructure assets. Approximately 12% of the net assets of all the proprietary funds are restricted for future capital construction of new water and wastewater infrastructure assets. As the funding for the replacement of infrastructure assets is not restricted, it is reflected in the Statement of Net Assets as unrestricted. However, the City accounts for these amounts in separate funds, and monitors the balances maintained to ensure that water and wastewater assets can be replaced when needed. The large unrestricted net assets deficit balance in the Golf Course Fund represents funds advanced from the City's General Fund that were used for the construction and pre-opening costs of the municipal golf course.

General Fund Budgetary Highlights for Fiscal Year 2008

Management monitors revenues during the year and updates estimated revenue figures when new information is received by the City. Estimated revenues were decreased during this year by a total of \$860,000 to reflect the net effect of the following changes:

- A slowing down in residential (both construction and resales), industrial and commercial development impacting property taxes and real property transfer taxes.
- A reduction in new car sales, a large contributor to the City's sales tax base.
- The impacts on TOT from continued strength in the tourism industry and the addition of the Sheraton, Homewood Suites and Hampton Inn hotels.
- Additional reimbursements from the Office of Emergency Services and the Federal Highway Administration for damage from the 2005 winter storms.
- Increased charges for engineering services from the development activities at Robertson Ranch, Cantarini Ranch and Holly Springs.

The increase from the total original expenditure budget to the final budget amounted to \$1.4 million, due predominantly to:

- Appropriating funds received from developers during the year for developer-funded studies.
- Budgeted expenditures associated with new grant revenues.
- Appropriating donations received.
- Appropriating additional sales tax revenues received as a result of sales tax auditing.
- The purchase of wetland for mitigation purposes.
- Additional costs associated with the San Diego wildfires.

The difference between the final budgeted expenditures and the actual expenditures for the year on a budgetary basis of \$19 million can be generally summarized as follows:

- \$19 million in “savings” by the various major service areas within the City. Current year savings were generated from:
 - Unfilled vacancies.
 - Overall awareness of fiscal responsibility throughout the City.
 - Deferral of projects.
- ❖ \$18.4 million in “savings” are planned to be used for:
 - ⇒ Human resources information system software upgrade.
 - ⇒ Fire apparatus equipment.
 - ⇒ Innovation projects throughout the City.
 - ⇒ Public outreach efforts regarding Envision Carlsbad and the proposed power plant.
 - ⇒ Parking lot improvements at Ponto Beach and the Dove Library.
 - ⇒ Technology purchases in Public Works to assist with mapping, inventory, and to improve efficiencies.
 - ⇒ Recycled water retrofits at several City parks and facilities.
 - ⇒ Future replacement of the Police Department’s 800 MHz radios.
 - ⇒ Enhancements to the Development Services Counter.
 - ⇒ Development of a financial planning, pricing and decision-making model for Recreation programs.
 - ⇒ Enhancing security features at the various parks throughout the City.

For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses in investments pursuant to GASB 31, and transfers in have been adjusted to reflect any transfer that was approved through the budget process as a revenue, but recorded as an advance in the financial statements; actual expenditures have been adjusted to include remaining encumbrances, and transfers out have been adjusted to reflect any transfer that was approved through the budget process as an expenditure but recorded as an advance in the financial statements.

Capital Asset and Debt Administration

Capital Assets

At the end of Fiscal Year 2007-08, the City had recorded investments of just under \$1.1 billion in a broad range of capital assets, including park facilities, land, buildings, roads, bridges, drainage facilities, water and sewer lines, police and fire vehicles, and other maintenance equipment. This number includes infrastructure assets of the general government which are required per GASB 34.

CITY OF CARLSBAD'S CAPITAL ASSETS								
(in millions of dollars)								
	Governmental Activities		Business-Type Activities		Total		Change	Total Percentage Change
	2007	2008	2007	2008	2007	2008	2007-08	2007-08
Land	\$128.1	\$128.1	\$8.7	\$8.7	\$136.8	\$136.8	\$0.0	0.0%
Construction in progress	111.3	134.2	81.4	13.4	192.7	147.6	(45.1)	-23.4%
Buildings and other structures	70.2	70.5	20.2	40.2	90.4	110.7	20.3	22.5%
Improvements other than buildings	30.2	39.2	5.6	53.0	35.8	92.2	56.4	157.5%
Machinery and equipment	26.5	27.0	2.0	2.5	28.5	29.5	1.0	3.5%
Infrastructure	447.0	494.1	216.3	256.0	663.3	750.1	86.8	13.1%
Wastewater treatment facility	-	-	44.9	49.9	44.9	49.9	5.0	11.1%
	813.3	893.1	379.1	423.7	1,192.4	1,316.8	124.4	10.4%
Accumulated depreciation	(154.9)	(168.1)	(73.7)	(79.6)	(228.6)	(247.7)	(19.1)	8.4%
Total	\$658.4	\$725.0	\$305.4	\$344.1	\$963.8	\$1,069.1	\$105.3	10.9%

This year's major capital asset additions included:

- The completion of the City's municipal golf course and clubhouse.
- Developer-dedicated streets, drainage facilities, traffic signals, water and sewer lines and streetlights.
- Installation of synthetic turf at Stagecoach Park.
- Completion of Pine Avenue Park.
- Construction of the Library Learning Center.
- Construction of Fire Station #6.
- Acquisition of the westerly extension of Faraday Avenue.
- Continued development of Rancho Santa Fe Road.
- Completion of the South Agua Hedionda Interceptor Phase II sewer project.
- Continued expansion at the Encina facility.
- Several waterline projects.

In addition to carrying forward appropriations of \$144.5 million for previously budgeted projects, the City's Fiscal Year 2008-09 capital budget appropriates an additional \$57.4 million for capital projects. These additional appropriations are principally for the pavement management program, the widening of El Camino Real, the replacement of the Carlsbad Boulevard Encinas Creek Bridge, miscellaneous street projects, miscellaneous park projects, enhancing the sewer collection system, additional water lines, and miscellaneous civic projects, loans and repayments. These projects will be financed by development fees, infrastructure and replacement transfers from the General Fund, special district fees and taxes, water and sewer replacement reserves, and other sources including grants and contributions from other agencies. More detailed information about the City's capital assets is presented in Note 6 to the financial statements and in the City's Capital Improvement Program document, which can be obtained from the Finance Department.

Long-Term Debt

At year-end, the City had \$64.9 million in bonds, certificates of participation, loans, capital leases and agreements, a decrease of \$2.2 million from last year, as shown in the table below. Although additional loans were made by the State Water Resources Control Board to the Carlsbad Municipal Water District for construction of the new recycled water facility and new capital leases were entered into for the purchase of golf course equipment, loan payments made on all of the City's outstanding debt offset these small increases in debt. More detail about the City's long-term liabilities is presented in Note 8 to the financial statements.

CITY OF CARLSBAD'S OUTSTANDING DEBT							
(in millions of dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2007	2008	2007	2008	2007	2008	2007-08
Bonds	\$11.7	\$11.2	\$18.5	\$18.5	\$30.2	\$29.7	-1.7%
Certificates of participation	1.4	0.7	-	-	1.4	0.7	-50.0%
Loans	-	-	29.1	28.5	29.1	28.5	-2.1%
Installment purchase agreement	-	-	6.1	5.5	6.1	5.5	-9.8%
Obligations under capital leases	-	-	0.7	1.0	0.7	1.0	100.0%
Less: Deferred charges/discounts	-	-	(0.4)	(0.5)	(0.4)	(0.5)	25.0%
Total	\$13.1	\$11.9	\$54.0	\$53.0	\$67.1	\$64.9	-3.3%

Economic Factors and Next Year's Budgets and Rates for Fiscal Year 2009

- The State of California adopted its Fiscal Year 2008-09 Annual Budget with the following provisions affecting the City:
 - The State implemented the "Triple Flip" in Fiscal Year 2004-05, whereby the City's sales tax receipts were reduced by one-quarter, and this reduction was made up with property taxes equating to the same amount. This will continue in the 2008-09 Fiscal Year.
 - The "Triple Flip" swap will have no effect on the ultimate amount of revenue the City receives, but it will result in a delay in the timing of the receipt of money by the City.
 - The City will be required to "contribute" approximately \$300,000 from its Village Area Redevelopment Funds to the State's Education Revenue Augmentation Fund.
 - The City will receive reduced Citizens Option for Public Safety (COPS) funding, booking fees and California Library Services Act (CLSA) Grant funding, totaling approximately \$88,000.
- Net assessed values in the City stand at almost \$24.3 billion, more than double what they were just seven years ago.
- Due to the tightening in the credit markets, sales tax revenues are forecasted to grow minimally in the Fiscal Year 2008-09 Budget.
- PERS rates for the miscellaneous plan have increased slightly for Fiscal Year 2008-09 from 20.5% to 20.8%, and have increased from 28.5% to 29.6% for the safety plan.
- The Encina power plant continues to be reassessed downward annually due to a reduction in electricity generated, affecting tax increment revenues in the South Coastal Carlsbad Redevelopment Area and the franchise fees received by the City.
- The Consumer Price Index (CPI) for the western region of the United States for urban households increased by 2.5% during the twelve months ended November 30, 2007.
- The total number of housing units in Carlsbad grew by 1.3% in Calendar Year 2007, impacting budgeted expenditures for Fiscal Year 2008-09.
- Median home prices in Carlsbad have decreased by 7.3% from April 2007 (\$750,000) to April 2008 (\$695,000).
- Due to the slow economy, forecasted revenues for development related activities have been reduced significantly.
- The expansion of the La Costa Resort and the addition of three new hotels will impact future TOT revenues.
- Due to the overall downturn in the economy, City departments were not given additional maintenance and operational funding to cover changes in the CPI and growth in the City.
- Through Memorandum of Understandings (MOUs), the Carlsbad City Employees' Association (CCEA) will receive a 3.2% salary increase January 1, 2009; the Carlsbad Police Officers' Association (CPOA) will receive a 5% salary increase January 1, 2009; and the Carlsbad Firefighters' Association will receive a 3.4% salary increase January 1, 2009.

These factors were considered when preparing the City of Carlsbad's General Fund budget for Fiscal Year 2008-09. Budgeted expenditures are expected to increase 1.8% to \$118.3 million. The increase is mainly due to an increase in personnel costs which are partially offset by a decrease in capital outlay requests. Personnel costs make up approximately 65% of the General Fund budget so any changes in these costs can have a significant effect on the total budget. The primary factor in the increase in personnel costs is due to labor contracts with the City's employee groups. The 1% increase in budgeted expenditures is the net result of additional costs related to the opening of the Library Learning Center and the Poinsettia Park tennis courts, and cost of living adjustments made to salaries and benefits, offset by several one-time budget items that were included in the 2007-08 Operating Budget. Adding to the adopted budget of \$118.3 million for the General Fund, just over \$18.4 million in unspent Fiscal Year 2007-08 budgeted expenditures will be carried over to Fiscal Year 2008-09, as well as \$6.6 million in open encumbrances as of June 30, 2008.

As the City is approaching the buildout of its remaining vacant land, the City is now ushering in a new era focusing on maintaining the City's infrastructure rather than building it. In an effort to address this issue, the City has developed an Infrastructure Replacement Fund (IRF). With this fund, the City sets aside money on an annual basis for major maintenance and replacement of its infrastructure. In the Fiscal Year 2008-09 Operating Budget, the City has budgeted a \$7.8 million transfer from the General Fund to the IRF, to meet future needs.

During the current fiscal year, the unreserved, undesignated fund balance in the General Fund decreased by \$6.1 million to \$46.1 million due to a \$10.9 million transfer made to the General Capital Construction Fund to assist in the construction of the new Joint First Responders Training Facility.

With the exception of the Public Facilities Construction Fund (PFF) and the Planned Local Drainage Funds (PLDA), there appears to be sufficient revenues projected to build the projects listed in the Fiscal Year 2008-09 Capital Improvement Program (CIP). A large increase in the cost of construction materials has occurred over the past four years, pushing up the cost of all of the City's projects. This cost escalation, as well as the scope of new projects, has contributed to the projected shortfall of \$1.5 million at buildout in the PFF Fund and \$7.6 million in the PLDA Funds. The PFF Fund shortfall at buildout in the Fiscal Year 2008-09 CIP is down from the \$12.7 million projected at buildout in the Fiscal Year 2007-08 CIP. This was achieved by reevaluating the proposed projects to be funded through the PFF Fund, and finding alternative funding sources for some of these projects. The PFF Fund is not anticipated to be in a deficit position until 2019, and City staff will continue to monitor the projected deficit in this fund, and bring additional solutions forward at the appropriate time. This will allow projects to be constructed from this funding source while the City evaluates future options. City staff is currently preparing updates to the PLDA Fee program in order to cover that deficit. It is also important to note that as the City approaches buildout, there are fewer available development projects to pay those fees. While this is not an immediate problem, it is an indication that the City may not have the money to build all of the projects listed under those programs.

The City's business-type activities reflect the following:

- The combined fixed and variable cost of water purchased from the San Diego County Water Authority is projected to rise over 13% in Fiscal Year 2008-09. Therefore, water rates may increase during the middle of Fiscal Year 2008-09 once the City Council evaluates their options.
- Sewer rates may also be adjusted in Fiscal Year 2008-09 at the same time as the water rate adjustments, to assist with higher costs associated with the Encina Wastewater Plant, higher depreciation expenses from the addition of completed facilities to the inventory, and continued implementation of the Waste Discharge Requirement Program (WDR).
- The golf course budget will be brought forward on a calendar year basis in December 2008.
- No projected significant changes in other revenue sources.

Contacting the City's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Department, 1635 Faraday Avenue, Carlsbad, CA 92008, (760) 602-2430, or visit us online at www.carlsbadca.gov.



CITY OF CARLSBAD

**Statement of Net Assets
June 30, 2008**

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 429,985,051	\$ 131,204,210	\$ 561,189,261
Receivables:			
Taxes	6,080,600	18,005	6,098,605
Accounts, net	708,517	4,424,536	5,133,053
Other	1,044,500	43,408	1,087,908
Due from other governments	1,484,085	2,560,586	4,044,671
Inventories	200,431	882,090	1,082,521
Prepaid items	596,832	12,173	609,005
Loan and reimbursement receivables	13,209,596	437,510	13,647,106
Internal balances	49,599,820	(49,599,820)	-
Subtotal	502,909,432	89,982,698	592,892,130
Capital assets:			
Land	128,132,931	8,663,600	136,796,531
Construction in progress	134,144,784	13,410,148	147,554,932
Buildings and other structures	70,534,370	40,174,429	110,708,799
Improvements other than buildings	39,240,751	53,052,661	92,293,412
Machinery and equipment	26,934,630	2,521,015	29,455,645
Infrastructure	494,071,408	256,013,153	750,084,561
Wastewater treatment facility	-	49,882,937	49,882,937
Less accumulated depreciation	(168,093,020)	(79,618,571)	(247,711,591)
Total capital assets	724,965,854	344,099,372	1,069,065,226
Total assets	\$ 1,227,875,286	\$ 434,082,070	\$ 1,661,957,356

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Statement of Net Assets (Continued)
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accrued liabilities	\$ 12,082,907	\$ 2,284,196	\$ 14,367,103
Accrued interest payable	211,099	532,229	743,328
Due to other governments	847	6,504,804	6,505,651
Estimated claims payable	3,213,485	-	3,213,485
Deposits payable	219,715	923,915	1,143,630
Unearned revenue	518,739	799,601	1,318,340
Noncurrent liabilities:			
Due within one year	1,200,000	2,530,889	3,730,889
Due in more than one year, net of deferred charges (\$715,182) and unamortized premiums (\$281,740)	10,740,000	50,483,910	61,223,910
Total liabilities	28,186,792	64,059,544	92,246,336
NET ASSETS			
Invested in capital assets, net of related debt	713,025,854	292,684,586	1,005,710,440
Restricted for:			
Capital assets	189,693,491	44,738,346	234,431,837
Affordable, low and moderate income housing	33,887,827	-	33,887,827
Habitat and agricultural mitigation management	6,948,659	-	6,948,659
Other purposes	5,297,609	-	5,297,609
Unrestricted	250,835,054	32,599,594	283,434,648
Total net assets	\$ 1,199,688,494	\$ 370,022,526	\$ 1,569,711,020

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 14,536,746	\$ 2,698,440	\$ 972,223	\$ -
Public safety	42,796,527	4,577,673	245,267	98,763
Community development	15,697,060	3,191,372	7,489,357	426,013
Community services	18,937,760	2,802,576	776,638	593,071
Public works	35,970,779	8,521,697	1,865,348	72,590,565
Interest and fiscal charges on long-term debt	665,627	-	-	-
Total governmental activities	128,604,499	21,791,758	11,348,833	73,708,412
Business-type activities:				
Carlsbad Municipal Water District	28,795,420	22,893,837	1,236,679	19,254,723
Golf course	7,347,308	5,704,164	-	-
Wastewater	10,400,256	8,150,889	14,382	10,967,847
Solid waste	2,588,114	2,195,258	48,677	-
Total business-type activities	49,131,098	38,944,148	1,299,738	30,222,570
Total primary government	\$ 177,735,597	\$ 60,735,906	\$ 12,648,571	\$ 103,930,982
General revenues:				
Property taxes				
Sales and use taxes				
Transient occupancy taxes				
Franchise taxes				
Business license taxes				
Real property transfer taxes				
Vehicle license taxes (VLF)				
Income from property and investments				
Other general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year (as restated)				
Net assets at end of year				

The notes to the financial statements are an integral part of this statement.

Net Revenue (Expense) and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (10,866,083)	\$ -	\$ (10,866,083)
(37,874,824)	-	(37,874,824)
(4,590,318)	-	(4,590,318)
(14,765,475)	-	(14,765,475)
47,006,831	-	47,006,831
(665,627)	-	(665,627)
(21,755,496)	-	(21,755,496)
-	14,589,819	14,589,819
-	(1,643,144)	(1,643,144)
-	8,732,862	8,732,862
-	(344,179)	(344,179)
-	21,335,358	21,335,358
(21,755,496)	21,335,358	(420,138)
52,704,486	2,710,956	55,415,442
27,031,484	-	27,031,484
14,277,351	-	14,277,351
4,634,049	-	4,634,049
3,327,814	-	3,327,814
951,141	-	951,141
449,732	-	449,732
24,954,890	8,030,128	32,985,018
513,190	953,796	1,466,986
(2,633,987)	2,633,987	-
126,210,150	14,328,867	140,539,017
104,454,654	35,664,225	140,118,879
1,095,233,840	334,358,301	1,429,592,141
\$ 1,199,688,494	\$ 370,022,526	\$ 1,569,711,020

CITY OF CARLSBAD

Balance Sheet

Governmental Funds

June 30, 2008

	General Fund	Redevelopment Debt Service Funds	Assessment and Other Districts	Community Facilities District No. 1
ASSETS				
Cash and investments	\$ 69,644,701	\$ 3,331,296	\$ 13,919,918	\$ 56,476,025
Receivables:				
Taxes	5,991,203	70,643	-	1,093
Other	1,009,279	-	14,079	-
Accounts, net	589,915	-	-	-
Due from other governments	11,836	-	-	-
Inventories	23,070	-	-	-
Prepaid items	56,748	-	-	-
Restricted cash and investments	-	-	-	-
Loans receivable	147,244	-	-	-
Advances to other funds	66,034,863	-	-	-
Total assets	\$ 143,508,859	\$ 3,401,939	\$ 13,933,997	\$ 56,477,118
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ 5,481,951	\$ -	\$ 115,735	\$ 430,833
Deposits payable	104,007	-	-	-
Due to other governments	847	-	-	-
Advances from other funds	-	15,518,292	-	-
Unearned/deferred revenue	16,949,391	-	-	-
Total liabilities	22,536,196	15,518,292	115,735	430,833
Fund balances:				
Reserved	56,479,130	-	44,232	501,804
Unreserved:				
Designated, reported in:				
General Fund	18,434,130	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Project Funds	-	-	13,774,030	55,544,481
Undesignated, reported in:				
General Fund	46,059,403	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	(12,116,353)	-	-
Capital Project Funds	-	-	-	-
Total fund balances	120,972,663	(12,116,353)	13,818,262	56,046,285
Total liabilities and fund balances	\$ 143,508,859	\$ 3,401,939	\$ 13,933,997	\$ 56,477,118

The notes to the financial statements are an integral part of this statement.

General Capital Construction	Infrastructure Replacement	Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ 65,447,026	\$ 38,263,281	\$ 42,200,946	\$ 115,838,535	\$ 405,121,728
-	-	-	17,661	6,080,600
-	-	-	21,142	1,044,500
-	-	62,543	53,589	706,047
20,239	-	-	1,452,010	1,484,085
-	-	-	-	23,070
-	-	-	378,131	434,879
-	-	-	659,500	659,500
-	-	-	13,062,352	13,209,596
1,600,021	-	4,550,000	3,643,344	75,828,228
<u>\$ 67,067,286</u>	<u>\$ 38,263,281</u>	<u>\$ 46,813,489</u>	<u>\$ 135,126,264</u>	<u>\$ 504,592,233</u>
\$ 244,562	\$ 30,435	\$ 490,574	\$ 1,277,774	\$ 8,071,864
-	-	57,472	58,236	219,715
-	-	-	-	847
-	-	-	10,710,116	26,228,408
89,397	-	-	-	17,038,788
<u>333,959</u>	<u>30,435</u>	<u>548,046</u>	<u>12,046,126</u>	<u>51,559,622</u>
4,153,549	144,797	5,600,979	28,517,883	95,442,374
-	-	-	-	18,434,130
-	-	-	8,228,566	8,228,566
-	-	-	20,890	20,890
48,735,322	2,531,609	40,664,464	58,264,151	219,514,057
-	-	-	-	46,059,403
-	-	-	28,048,648	28,048,648
-	-	-	-	(12,116,353)
13,844,456	35,556,440	-	-	49,400,896
<u>66,733,327</u>	<u>38,232,846</u>	<u>46,265,443</u>	<u>123,080,138</u>	<u>453,032,611</u>
<u>\$ 67,067,286</u>	<u>\$ 38,263,281</u>	<u>\$ 46,813,489</u>	<u>\$ 135,126,264</u>	<u>\$ 504,592,233</u>

CITY OF CARLSBAD

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008**

Total fund balances - governmental funds.	\$ 453,032,611
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds	717,626,330
Internal service funds	<u>7,339,524</u>
Total capital assets	<u>724,965,854</u>

Internal service funds are used by management to charge the costs of fleet management, self insured benefits, information technologies, records management, risk management and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Total internal service fund net assets	24,660,603
Internal service fund net assets included as part of total capital assets	<u>(7,339,524)</u>
Internal service fund net assets less capital assets	<u>17,321,079</u>

Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.

(211,099)

Interest receivable on advances to other funds is not a current financial resource and, therefore, is not recognized as revenue in the funds until received.

16,343,808

A portion of the taxes receivable is not available to pay for current-period expenditures and, therefore, is deferred in the funds.

176,241

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Governmental funds	<u>(11,940,000)</u>
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Net assets of governmental activities.	<u><u>\$1,199,688,494</u></u>
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The notes to the financial statements are an integral part of this statement.



CITY OF CARLSBAD

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General Fund	Redevelopment Debt Service Funds	Assessment and Other Districts	Community Facilities District No. 1
Revenues:				
Taxes	\$ 98,398,973	\$ 2,659,546	\$ -	\$ 2,183,432
Intergovernmental	3,335,595	-	-	-
Licenses and permits	1,991,521	-	-	-
Charges for services	7,527,261	-	-	-
Fines and forfeitures	1,336,293	-	-	-
Income from property and investments	5,062,505	144,547	736,362	3,237,694
Contributions from property owners	-	-	12,309,177	601,047
Donations	-	-	-	-
Miscellaneous	865,181	-	-	-
Total revenues	118,517,329	2,804,093	13,045,539	6,022,173
Expenditures:				
Current:				
General government	13,764,409	-	464,488	173,962
Less: interdepartmental charges	(2,286,527)	-	-	-
Public safety	43,480,471	-	-	-
Community development	7,539,729	3,983	-	-
Community services	16,928,940	-	-	-
Public works	22,115,675	-	-	-
Capital outlay	-	-	16,808,230	3,030,200
Debt service:				
Principal retirement	-	440,000	-	-
Interest and fiscal charges	-	1,267,351	-	-
Total expenditures	101,542,697	1,711,334	17,272,718	3,204,162
Excess (deficiency) of revenues over (under) expenditures	16,974,632	1,092,759	(4,227,179)	2,818,011
Other financing sources (uses):				
Transfers in	573,000	3,400	-	-
Transfers out	(19,163,800)	(307,000)	-	(463,557)
Total other financing sources (uses)	(18,590,800)	(303,600)	-	(463,557)
Net change in fund balances	(1,616,168)	789,159	(4,227,179)	2,354,454
Fund balances (deficits) at beginning of year	122,588,831	(12,905,512)	18,045,441	53,691,831
Fund balances (deficits) at end of year	<u>\$ 120,972,663</u>	<u>\$ (12,116,353)</u>	<u>\$ 13,818,262</u>	<u>\$ 56,046,285</u>

The notes to the financial statements are an integral part of this statement.

General Capital Construction	Infrastructure Replacement	Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 2,482,453	\$ 105,724,404
657,625	-	1,608,037	13,963,701	19,564,958
-	-	-	-	1,991,521
-	-	-	3,561,794	11,089,055
-	-	-	163,467	1,499,760
3,047,273	2,139,557	3,233,904	6,560,767	24,162,609
-	-	3,339,539	7,599,998	23,849,761
-	-	-	280,830	280,830
48,807	-	-	18,271	932,259
3,753,705	2,139,557	8,181,480	34,631,281	189,095,157
-	-	-	30,000	14,432,859
-	-	-	-	(2,286,527)
-	-	-	238,050	43,718,521
-	-	-	8,182,116	15,725,828
-	-	-	207,276	17,136,216
-	-	-	2,238,968	24,354,643
2,389,696	382,953	5,804,987	10,594,421	39,010,487
-	-	-	700,000	1,140,000
-	-	-	80,026	1,347,377
2,389,696	382,953	5,804,987	22,270,857	154,579,404
1,364,009	1,756,604	2,376,493	12,360,424	34,515,753
10,868,400	7,900,000	-	1,045,585	20,390,385
-	-	-	(13,428)	(19,947,785)
10,868,400	7,900,000	-	1,032,157	442,600
12,232,409	9,656,604	2,376,493	13,392,581	34,958,353
54,500,918	28,576,242	43,888,950	109,687,557	418,074,258
\$ 66,733,327	\$ 38,232,846	\$ 46,265,443	\$ 123,080,138	\$ 453,032,611

CITY OF CARLSBAD

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008**

Net change in fund balances - total governmental funds.	\$ 34,958,353
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Purchase of capital assets	35,004,147
Depreciation expense	(13,068,656)

Governmental funds do not reflect the donation of capital assets as revenues.	44,693,214
---	------------

Governmental funds report the entire proceeds from the sale of capital assets as revenue.

However, in the statement of activities, the net gain or loss from the sale of capital assets is reported.	(14,422)
--	----------

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets.

	1,140,000
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.

	21,116
--	--------

Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.

	2,731,617
--	-----------

A portion of sales and use taxes previously recognized in the Statement of Activities, but had been deferred in the funds.

	(112,691)
--	-----------

The net revenue of activities of internal service funds is reported with governmental activities.

	(858,923)
--	-----------

Other

	(39,101)
--	----------

Change in net assets of governmental activities.

	<u>\$ 104,454,654</u>
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The notes to the financial statements are an integral part of this statement.



CITY OF CARLSBAD

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(Budgetary Basis)	Final Budget -
				Over
				(Under)
Revenues:				
Taxes	\$ 102,028,000	\$ 98,694,000	\$ 98,398,973	\$ (295,027)
Intergovernmental	2,883,000	4,036,000	3,335,595	(700,405)
Licenses and permits	1,596,000	1,658,000	1,991,521	333,521
Charges for services	6,194,000	7,450,000	7,527,261	77,261
Fines and forfeitures	1,086,000	1,305,000	1,336,293	31,293
Income from property and investments	3,892,000	3,903,000	4,094,671	191,671
Miscellaneous	750,000	567,000	865,181	298,181
Total revenues	118,429,000	117,613,000	117,549,495	(63,505)
Expenditures:				
Current:				
General government	23,091,617	22,948,812	14,915,428	(8,033,384)
Less: interdepartmental charges	(2,570,000)	(2,570,000)	(2,286,527)	283,473
Public safety	45,644,051	46,212,701	43,885,319	(2,327,382)
Community development	11,633,572	11,797,783	9,750,157	(2,047,626)
Community services	20,048,861	20,165,544	17,672,315	(2,493,229)
Public works	27,908,470	28,646,198	24,167,018	(4,479,180)
Total expenditures	125,756,571	127,201,038	108,103,710	(19,097,328)
Excess of revenues over expenditures	(7,327,571)	(9,588,038)	9,445,785	19,033,823
Other financing sources (uses):				
Transfers in	-	709,000	573,000	(136,000)
Transfers out	(8,621,800)	(19,471,800)	(19,163,800)	308,000
Total other financing sources (uses)	(8,621,800)	(18,762,800)	(18,590,800)	172,000
Net change in fund balances	(15,949,371)	(28,350,838)	(9,145,015)	\$ 19,205,823
Fund balance at beginning of year	122,588,831	122,588,831	122,588,831	
Fund balance at end of year	<u>\$ 106,639,460</u>	<u>\$ 94,237,993</u>	<u>\$ 113,443,816</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2008**

BUDGET-TO-GAAP RECONCILIATION

	Actual Amounts (Budgetary Basis)
Revenues	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page).	\$ 117,549,495
The recording of unrealized gains and losses on the City's investments are shown for financial reporting purposes (pursuant to GASB 31), but are not shown for budgetary purposes.	<u>967,834</u>
	<u><u>\$ 118,517,329</u></u>
Expenditures	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page).	\$ 108,103,710
Differences - budget to GAAP:	
Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes.	<u>(6,561,013)</u>
	<u><u>\$ 101,542,697</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Statement of Net Assets

Proprietary Funds

June 30, 2008

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
ASSETS			
Current assets:			
Cash and investments	\$ 60,639,055	\$ 1,284,159	\$ 59,249,296
Receivables:			
Taxes	18,005	-	-
Accounts, net	2,815,568	135,249	1,055,349
Due from other governments	370,250	-	2,190,336
Inventories	697,869	180,239	3,982
Prepaid items	12,173	-	-
Total current assets	64,552,920	1,599,647	62,498,963
Noncurrent assets:			
Cash and investments - restricted for debt service	-	1,361,489	953,706
Accrued interest - restricted for debt service	-	22,108	21,300
Loans and reimbursement receivables	-	-	437,510
Subtotal	-	1,383,597	1,412,516
Capital assets:			
Land	1,909,565	5,075,228	1,678,807
Construction in progress	10,718,506	-	2,691,642
Buildings and other structures	20,231,020	19,943,409	-
Improvements other than buildings	2,322,549	46,666,513	4,063,599
Machinery and equipment	863,474	1,170,745	486,796
Infrastructure	171,732,597	-	84,280,556
Wastewater treatment facility	-	-	49,882,937
Less accumulated depreciation	(33,584,875)	(208,227)	(45,825,469)
Total capital assets (net of accumulated depreciation)	174,192,836	72,647,668	97,258,868
Total noncurrent assets	174,192,836	74,031,265	98,671,384
Total assets	\$ 238,745,756	\$ 75,630,912	\$ 161,170,347

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental
		Activities -
Solid		Internal
Waste	Totals	Service
		Funds
\$ 7,716,505	\$ 128,889,015	\$ 24,203,823
-	18,005	-
418,370	4,424,536	2,470
-	2,560,586	-
-	882,090	177,361
-	12,173	161,953
8,134,875	136,786,405	24,545,607
-	2,315,195	-
-	43,408	-
-	437,510	-
-	2,796,113	-
-	8,663,600	-
-	13,410,148	-
-	40,174,429	-
-	53,052,661	-
-	2,521,015	18,331,053
-	256,013,153	-
-	49,882,937	-
-	(79,618,571)	(10,991,529)
-	344,099,372	7,339,524
-	346,895,485	7,339,524
\$ 8,134,875	\$ 483,681,890	\$ 31,885,131

(Continued)

CITY OF CARLSBAD

Statement of Net Assets
Proprietary Funds (Continued)
June 30, 2008

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 791,062	\$ 408,701	\$ 599,079
Accrued interest payable	140,419	275,683	116,127
Due to other governments	4,149,119	-	2,355,685
Estimated claims payable	-	-	-
Current portion of long-term debt	1,358,963	496,926	675,000
Deposits payable	171,940	281,181	470,794
Total current liabilities	6,611,503	1,462,491	4,216,685
Noncurrent liabilities:			
Advance from other funds	-	48,647,601	-
Deferred revenue	-	-	799,601
Capital leases payable	-	735,876	-
Loans payable	27,106,476	-	-
Revenue bonds payable, net of deferred charges of \$398,466 and unamortized discounts of \$281,740	-	18,148,274	-
Installment purchase agreement, net of deferred charges of \$316,716	-	-	4,493,284
Total noncurrent liabilities	27,106,476	67,531,751	5,292,885
Total liabilities	33,717,979	68,994,242	9,509,570
NET ASSETS			
Invested in capital assets, net of related debt	145,727,397	54,229,615	92,727,574
Restricted for:			
Capital assets	20,316,163	-	24,422,183
Unrestricted	38,984,217	(47,592,945)	34,511,020
Total net assets	\$ 205,027,777	\$ 6,636,670	\$ 151,660,777

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental
		Activities -
Solid	Total	Internal
Waste	Proprietary	Service
	Funds	Funds
\$ 485,354	\$ 2,284,196	\$ 4,011,043
-	532,229	-
-	6,504,804	-
-	-	3,213,485
-	2,530,889	-
-	923,915	-
485,354	12,776,033	7,224,528
952,219	49,599,820	-
-	799,601	-
-	735,876	-
-	27,106,476	-
-	-	-
-	18,148,274	-
-	4,493,284	-
952,219	100,883,331	-
1,437,573	113,659,364	7,224,528
-	292,684,586	7,339,524
-	44,738,346	-
6,697,302	32,599,594	17,321,079
\$ 6,697,302	\$ 370,022,526	\$ 24,660,603

CITY OF CARLSBAD

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	\$ 22,316,941	\$ -	\$ -
Sewer service charges	-	-	8,054,276
Golf course operations	-	5,704,164	-
Other charges for services	576,896	-	96,613
Contributions from other government agencies	1,221,680	-	14,382
Miscellaneous	190,445	631,153	97,756
Total operating revenues	24,305,962	6,335,317	8,263,027
Operating expenses:			
Encina plant operations	729,531	-	3,129,114
Purchased water	13,476,537	-	-
Golf course operations	-	5,804,576	-
Depreciation	3,276,239	208,227	2,566,142
Fuel and supplies	-	-	-
Claims expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	10,611,644	916,126	4,500,808
Total operating expenses	28,093,951	6,928,929	10,196,064
Operating income (loss)	(3,787,989)	(593,612)	(1,933,037)
Nonoperating revenues (expenses):			
Income from property and investments	3,811,258	279,262	3,493,511
Interest expense and fees	(689,584)	(418,379)	(204,192)
Intergovernmental	-	-	-
Gain (loss) on sale of property	(11,885)	-	-
Property taxes	2,710,956	-	-
Total nonoperating revenues	5,820,745	(139,117)	3,289,319
Income (loss) before transfers and capital contributions	2,032,756	(732,729)	1,356,282
Transfers in	2,495,187	-	-
Transfers out	-	-	-
Capital contributions:			
Capital restricted fees	2,038,688	-	1,341,550
Developer constructed assets	17,216,035	-	9,626,297
Other	14,999	-	-
Change in net assets	23,797,665	(732,729)	12,324,129
Total net assets at beginning of year (as restated)	181,230,112	7,369,399	139,336,648
Total net assets at end of year	<u>\$ 205,027,777</u>	<u>\$ 6,636,670</u>	<u>\$ 151,660,777</u>

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental
		Activities -
		Internal
Solid Waste	Totals	Service Funds
\$ -	\$ 22,316,941	\$ -
-	8,054,276	-
-	5,704,164	-
2,195,258	2,868,767	14,056,377
48,677	1,284,739	-
34,442	953,796	54,273
2,278,377	41,182,683	14,110,650
-	3,858,645	-
-	13,476,537	-
-	5,804,576	-
-	6,050,608	1,775,762
-	-	1,171,296
-	-	11,127,837
-	-	993,867
2,588,114	18,616,692	6,471,979
2,588,114	47,807,058	21,540,741
(309,737)	(6,624,375)	(7,430,091)
446,097	8,030,128	1,502,456
-	(1,312,155)	-
-	-	140,878
-	(11,885)	(61,563)
-	2,710,956	-
446,097	9,417,044	1,581,771
136,360	2,792,669	(5,848,320)
138,800	2,633,987	-
-	-	(581,400)
-	3,380,238	-
-	26,842,332	-
-	14,999	674,888
275,160	35,664,225	(5,754,832)
6,422,142	334,358,301	30,415,435
\$ 6,697,302	\$ 370,022,526	\$ 24,660,603

CITY OF CARLSBAD

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2008

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Cash flows from operating activities:			
Receipts from customers and users	\$ 24,240,522	\$ 5,570,670	\$ 8,051,285
Payments to suppliers	(18,783,742)	(6,563,086)	(5,254,907)
Payments to employees	(3,156,616)	-	(1,137,016)
Internal activity - payments to other funds	(2,458,449)	-	(1,131,475)
Claims paid	-	-	-
Marbella settlement	(11,285,000)	-	-
OPEB funding of accrued liability	-	-	-
Other receipts (payments)	(1,218,156)	631,153	244,474
Increase (decrease) in deposits payable	7,968	276,432	82,869
Net cash provided by operating activities	(12,653,473)	(84,831)	855,230
Cash flows from noncapital financing activities:			
Operating subsidies and transfers to other funds	2,495,187	-	-
Cash flows from capital and related financing activities:			
Proceeds from capital debt	542,233	-	-
Capital contributions	2,038,688	-	1,341,550
Capital grants	1,414,999	(5,167,583)	(6,562,912)
(Purchase) sale of capital assets	(6,229,043)	-	-
Principal paid on capital debt	(1,172,574)	(190,923)	(640,000)
Interest and other fees paid	(689,584)	(418,379)	(204,192)
Property taxes received	2,720,527	-	-
Net cash (used in) capital and related financing activities	(1,374,754)	(5,776,885)	(6,065,554)
Cash flows from investing activities:			
Interest on investments	3,811,258	260,595	3,493,511
Net increase (decrease) in cash and cash equivalents	(7,721,782)	(5,601,121)	(1,716,813)
Cash and cash equivalents at beginning of year	68,360,837	8,246,769	60,980,234
Cash and cash equivalents at end of year	\$ 60,639,055	\$ 2,645,648	\$ 59,263,421

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental Activities - Internal Service Funds	
Solid Waste	Totals		
\$ 2,423,178	\$ 40,285,655	\$ 14,093,422	
(1,487,654)	(32,089,389)	(4,542,204)	
(890,727)	(5,184,359)	(3,085,163)	
(352,631)	(3,942,555)	(739,942)	
-	-	(3,678,137)	
-	(11,285,000)	-	
-	-	(5,457,992)	
83,119	(259,410)	54,273	
-	367,269	-	
(224,715)	(12,107,789)	(3,355,743)	
138,800	2,633,987	(3,076,587)	
-	542,233	-	
-	3,380,238	140,878	
-	(10,315,496)	(1,097,449)	
-	(6,229,043)	-	
-	(2,003,497)	-	
-	(1,312,155)	-	
-	2,720,527	-	
-	(13,217,193)	(956,571)	
446,097	8,011,461	1,501,913	
360,182	(14,679,534)	(5,886,988)	
7,356,323	144,944,163	30,090,811	
\$ 7,716,505	\$ 130,264,629	\$ 24,203,823	

(Continued)

CITY OF CARLSBAD

Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2008

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (3,787,989)	\$ (593,612)	\$ (1,933,037)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,276,239	208,227	2,566,142
Change in assets and liabilities:			
(Increase) decrease in receivables	1,346,685	(133,494)	(112,143)
(Increase) decrease in inventories	(127,309)	(180,239)	(79)
(Increase) decrease in prepaid items	(12,173)	-	-
(Decrease) increase in accrued liabilities	(13,692,257)	337,855	106,604
(Decrease) increase in accrued interest payable	(135,094)	-	-
(Decrease) increase in due to other governments	470,457	-	132,336
(Decrease) increase in estimated claims payable	-	-	-
(Decrease) increase in deposits payable	7,968	276,432	82,869
(Decrease) increase in deferred revenue	-	-	12,538
Net cash provided by operating activities	<u>\$ (12,653,473)</u>	<u>\$ (84,831)</u>	<u>\$ 855,230</u>
Noncash capital financing activities:			
Capital assets contributed by other sources	\$ 17,216,035	\$ -	\$ 9,626,297
Capital assets acquired under capital lease agreements	-	449,614	-
Total noncash capital financing activities	<u>\$ 17,216,035</u>	<u>\$ 449,614</u>	<u>\$ 9,626,297</u>
Reconciliation of cash and cash equivalents to amounts reported on the balance sheet:			
Cash and investments	\$ 60,639,055	\$ 1,284,159	\$ 59,249,296
Restricted assets:			
Cash and investments	-	1,361,489	953,706
Less investments not meeting the definition of cash equivalents:			
Investment contracts	-	-	(939,581)
Cash and cash equivalents at end of year	<u>\$ 60,639,055</u>	<u>\$ 2,645,648</u>	<u>\$ 59,263,421</u>

The notes to the financial statements are an integral part of this statement.

<u>Enterprise Funds</u>		Governmental
		Activities -
<u>Solid Waste</u>	<u>Totals</u>	Internal
		Service Funds
\$ (309,737)	\$ (6,624,375)	\$ (38,995)
-	6,050,608	1,775,762
227,921	1,328,969	37,045
-	(307,627)	(39,066)
-	(12,173)	(161,953)
(142,899)	(13,390,697)	(4,450,686)
-	(135,094)	-
-	602,793	-
-	-	(477,850)
-	367,269	-
-	12,538	-
<u>\$ (224,715)</u>	<u>\$ (12,107,789)</u>	<u>\$ (3,355,743)</u>
\$ -	\$ 26,842,332	\$ 674,888
-	-	-
<u>\$ -</u>	<u>\$ 26,842,332</u>	<u>\$ 674,888</u>
\$ 7,716,505	\$ 128,889,015	\$ 24,203,823
-	2,315,195	-
-	(939,581)	-
<u>\$ 7,716,505</u>	<u>\$ 130,264,629</u>	<u>\$ 24,203,823</u>

CITY OF CARLSBAD

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2008

ASSETS

Current assets:	
Cash and investments	\$ 27,806,779
Receivables:	
Taxes	30,636
Other	75,727
Prepaid items	557,132
Total current assets	<u>28,470,274</u>
Restricted assets:	
Cash and investments	<u>7,846,179</u>
Total assets	<u><u>\$ 36,316,453</u></u>

LIABILITIES

Accrued liabilities	\$ 265,441
Deposits held for others	<u>36,051,012</u>
Total liabilities	<u><u>\$ 36,316,453</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Carlsbad, California, (City) was incorporated on July 16, 1952. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, community development, community services and public works.

The accounting policies of the City and its component units conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Description and scope of the reporting entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position of the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the City are the Housing Authority of the City of Carlsbad, the City of Carlsbad Public Improvement Corporation, the Carlsbad Redevelopment Agency, the Carlsbad Public Financing Authority and the Carlsbad Municipal Water District (District).

Since the City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance part of the City's operations, and so data from these units is reported with the interfund data of the primary government. Only the City of Carlsbad Public Improvement Corporation and the Carlsbad Redevelopment Agency issue separate component unit financial statements. Upon their completion, the financial statements of these component units can be obtained from the Finance Department.

Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the Fund Financial Statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting, and financial statement presentation

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Property taxes are recognized as revenues in the year for which they are levied.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, as long as the expenditure reflects a near-term cash outflow. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues that are accrued generally include real property taxes, sales tax, transient occupancy taxes, franchise taxes, vehicle license fees, highway users tax, interest, and some state and federal grants.

Real property taxes are levied on October 15 against property owners of record on January 1 of that year. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Under the provisions of NCGA Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

Fiduciary fund types are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary fund assets and liabilities are accounted for on the accrual basis of accounting.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Redevelopment Debt Service Funds** are used to account for the accumulation of resources for, and payment of, principal and interest on the Carlsbad Redevelopment Agency's bonds and other debt, used to finance improvements for the redevelopment areas of the City.

The **Assessment and Other Districts** capital project funds are used to account for capital projects financed by the issuance of assessment and community facility district bonds.

The **Community Facilities District No. 1** capital project fund is used to account for civic facilities, parks, and road segments financed by Community Facilities District No. 1 "special tax revenues" (Mello Roos).

The **General Capital Construction** capital project fund is used to account for transfers from the General Fund and expenditures for various capital projects not financed through another capital project fund.

The **Infrastructure Replacement Fund** capital project fund is used to account for transfers from the General Fund and expenditures for the replacement of major infrastructure throughout the City.

The **Public Facilities Construction** capital project fund is used to account for the receipt of fees charged to developers, and expenditures for specific public facilities such as parks and fire stations necessitated by growth.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

The City reports the following major enterprise funds:

The **Carlsbad Municipal Water District** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the City's water system.

The **Golf Course** enterprise fund is used to account for revenues and expenses for the construction, maintenance and operating activities of the City's new municipal golf course.

The **Wastewater** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the City's wastewater system.

The **Solid Waste** enterprise funds are used to account for the revenues and expenses of the City's solid waste source-reduction, recycling and storm water programs.

Additionally, the City reports the following fund types:

Internal Service funds account for fleet management, self insured benefits, information technology, risk management and workers' compensation services provided to other departments or agencies of the City.

The **Agency funds** account for assets held by the City for other funds, governments or individuals. These funds include contractors' deposits for future development, miscellaneous deposits, as well as debt service transactions on assessment district bonds for which the City is not obligated.

Financial Accounting Standards Board (FASB) statements and interpretations issued prior to December 1, 1989, generally are followed in both the Government-wide and Proprietary Fund Financial Statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow the standards set by the GASB as opposed to subsequently issued private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide Financial Statements. An exception to this general rule are the charges between the Carlsbad Municipal Water District and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. The City also recognizes new account charges, late fees and contributions from other agencies as operating revenues. Operating expenses for enterprise and internal service funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and investments

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings; changes in fair value; any gains or losses realized upon the liquidation, maturity, or sale of investments; property rentals and the sale of City owned property.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's average cash and investments balance.

Restricted cash and investments represent amounts that are restricted under the terms of debt agreements.

Inventories

Inventories consist of materials and supplies that are valued at cost and are recorded as expenses or expenditures on a first-in, first-out basis when consumed.

Compensated absences

Compensated absences are comprised of vacation payable for all City employees and vested sick benefits for certain former District employees. Vacation pay is payable to employees at the time used or upon termination of employment. For governmental funds, the cost of accumulated vacation expected to be paid in the next 12 months is recorded as a liability in the Self Insured Benefits internal service fund. Since the City caps the amount of vacation employees are allowed to have on the books at any point in time, for compensated absences recorded at June 30, 2008, all balances are expected to be paid within the following 12 months. For proprietary funds, the cost of vacation is recorded as a liability when earned.

Risk management

The City accounts for its general liability, self insured dental program, and workers' compensation activities in internal service funds. The funds are responsible for collecting premiums from other City funds and departments and paying claims, settlements and insurance premiums. Interfund premiums are based on the insured fund's claims experience. Incurred but not reported claims are accrued at year-end, if material.

Unbilled services

Unbilled water, wastewater and solid waste revenues of the enterprise funds are recognized as earned when the services are used.

Capital assets

Capital assets, which include land (including right-of-way), buildings, equipment and infrastructure assets (e.g., roads, bridges, traffic signals, water and wastewater systems, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Construction in progress costs are transferred to their respective capital asset category upon completion.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

	<u>Years</u>
Buildings and other structures	10 – 50
Improvements other than buildings	20 – 50
Machinery and equipment	3 – 20
Infrastructure	10 – 100
Wastewater treatment facility (including equipment)	5 – 75

The City has capitalized all general infrastructure assets acquired or constructed in compliance with GASB 34. In addition the land upon which the streets and roads are constructed (right-of-way) has also been valued and capitalized.

Unearned/deferred revenue

The unearned revenue reported in the City's financial statements represents money received during the current or previous fiscal years that has not been earned by, or is not available to, the City as of the end of the fiscal year. These monies will be recognized as revenues in subsequent fiscal years, once the revenue has been earned or becomes available.

Interfund transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (short-term interfund loans) or "advances to/from other funds" (long-term interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide Financial Statements as "internal balances".

Advances between funds, as reported in the Fund Financial Statements, are offset by a fund balance reserve account in the applicable governmental fund to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables and payables

All trade, service and tax receivables are shown net of an allowance for uncollectibles. The utility billing receivable allowance is equal to 1% of outstanding billings at June 30, 2008, the ambulance billing receivable allowance is equal to 40% of outstanding billings at June 30, 2008, and the trade and false alarm receivable allowance is equal to the total of all outstanding receivables that are over 90 days past due plus 30% of all remaining balances. The only exception to these rules are receivables that were subsequently paid or were known to be collectible at year-end, were not reserved for at June 30, 2008.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Unexpended and unencumbered appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year. Encumbrances at year end are a portion of the reserved fund balance and are reappropriated the following year.

Net assets

Net assets represent the differences between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

Long-term obligations

In the Government-wide Financial Statements, and proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Long-term bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Fund Financial Statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the Fund Financial Statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans, and are subject to change.

Pronouncements issued, not yet effective

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*

Note 2. Budgetary Data

The City follows these procedures in establishing its budgetary data:

- During May or June, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The budget includes estimated revenues and proposed expenditures on a departmental and/or project basis.
- Public hearings are conducted at City Council meetings to obtain citizens' comments during June.
- Prior to July 1, the budget is enacted legally through passage of an appropriation resolution.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 2. Budgetary Data (Continued)

The City Manager is authorized to make transfers of appropriated amounts from one department to another within a fund. The legal level of budgetary control is at the fund level. Revisions that alter the total appropriations of any fund must be approved by the City Council with the exception of budget adjustments that involve offsetting revenues and expenditures. The City Manager is authorized to increase or decrease an appropriation for a specific purpose where the appropriation is offset by unbudgeted revenue, which is designated for said specific purpose. Monthly reports are provided to the City Council during the year, and any changes to the adopted budget are approved by the City Council as necessary. During the year, several supplementary appropriations were necessary.

Budgets for governmental type funds are adopted on the modified accrual basis except that encumbrances are treated as budgeted expenditures in the year purchases are committed.

Expenditures may not exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year.

For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses pursuant to GASB 31, and transfers in have been adjusted to reflect any transfer that was approved through the budget process as a revenue, but recorded as an advance in the financial statements. Actual expenditures have been adjusted to include encumbrances outstanding, and transfers out have been adjusted to reflect any transfer that was approved through the budget process as an expenditure but recorded as an advance in the financial statements. Annual budgets are adopted for the General Fund, special revenue funds except for the Tyler Court Apartments Fund, and debt service funds except for the Hosp Grove COPs. Accordingly, the revenues and expenditures for these two funds have been excluded from the budget basis financial statements. Annual operating budgets are not adopted for the capital projects funds except for the Redevelopment Areas Funds; therefore, budget basis financial statements have not been prepared because a comparison of such budgetary amounts to annual revenues and expenditures is not meaningful.

Note 3. Deposit and Investment Risk

Cash resources of the individual funds are combined to form a pool of cash and investments. The City maintains a formal investment policy, which is reviewed by the Investment Committee and adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of safety of principal, adequacy of liquidity, and achievement of an average market rate of return. The risk disclosures below apply to the City's internal investment pool. Portfolio investments are exposed to five types of risk: custodial (investments and cash deposits); concentration; default; event; and market or interest rate risk.

The City of Carlsbad and its agencies invest a portion of its funds in an external investment pool known as the Local Area Investment Fund (LAIF). Management and oversight are the responsibility of the California State Treasurer. As of June 30, 2008, the LAIF performance report shows a fair value factor of .999950219. The City of Carlsbad's position in the LAIF pool is calculated as a percentage of the fair value of the City's shares to the fair value of the pooled shares.

Investments held outside the Treasurer's Pool consist mainly of required reserve funds for various bond issues. They are held by trustees, and are not available for the City's general expenditures.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 3. Deposit and Investment Risk (Continued)

As of June 30, 2008 the City had the following investments in its portfolio:

	Fair Market Value	% of Total	Modified Duration
Treasurer's Pool investments			
U.S. agencies:			
Federal Home Loan Bank	\$ 189,372,340	33.1%	2.080
Federal Home Loan Mortgage Corporation	113,314,375	19.9%	2.241
Federal National Mortgage Association	69,360,747	12.2%	1.801
Federal Farm Credit Bank	29,008,325	5.1%	1.614
Federal Agricultural Corporation	6,108,372	1.1%	2.733
Tennessee Valley Authority	2,218,195	0.4%	3.421
Housing Urban Development	1,034,708	0.2%	1.036
Subtotal U.S. agencies	410,417,062	72.0%	2.059
Corporate notes:			
Medium-term corporate notes	89,411,223	15.7%	2.459
Subtotal corporate notes	89,411,223	15.7%	2.459
LAIF	68,235,587	12.0%	-
Cash accounts	2,391,693	0.4%	-
Total Treasurer's Pool	570,455,565	100.0%	1.858
Investments held outside the Treasurer's Pool			
Money market funds	21,571,716		
LAIF	1,676,024		
Guaranteed investment contracts	1,613,206		
Subtotal debt service funds/bond proceeds	24,860,946		
Other deposits	1,519,448		
Petty cash funds	6,260		
Total cash and investments	\$ 596,842,219		
Statement of Net Assets, Primary Government			
Cash and investments	\$ 561,189,261		
Statement of Fiduciary Assets and Liabilities, Agency Funds			
Cash and investments	27,806,779		
Restricted cash and investments	7,846,179		
Total cash and investments	\$ 596,842,219		

Custodial credit risk (investments)

The City uses a third-party bank for its custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of the custodian's failure. All City investments held in custody and safekeeping are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure. Investments are settled on a Delivery vs. Payment (DVP) in accordance with the third party custodial agreement.

Custodial credit risk (deposits)

The City maintains cash accounts at two major banking institutions. At the conclusion of each business day, balances in these accounts are "swept" into overnight pooled investments, which are pooled into funds collateralized with U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). The California Code authorizes

Note 3. Deposit and Investment Risk (Continued)

both of these types of investments. A small amount of cash is not swept from the checking accounts to cover checks that may be presented for payment. Amounts up to \$100,000 are Federal Deposit Insurance Corporation (FDIC) insured.

Concentration credit risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. The California state code requires that total investments in medium-term corporate notes of all issuers not exceed 30% of the portfolio. As of June 30, 2008, approximately 16.3% of the City's total portfolio investments, based on cost, were in medium-term corporate notes.

For concentration of investments, the City's Investment Policy requires that no more than 5% of investments in corporate notes be in any one issuer. There is no similar requirement in either the state code or the City's Investment Policy for U.S. agencies. As of June 30, 2008, the portfolio was in compliance with this requirement.

Default credit risk

Default credit risk is the risk that the issuer of the security does not pay either the interest or principal when due. Debts of most U.S. agencies are not backed by the full faith and credit of the federal government; however, because the agencies are U.S. Government-sponsored, they carry AAA credit ratings. The default credit risk of these investments is minimal.

California state code limits investments in medium-term corporate notes to the top three credit ratings (AAA, AA, and A). However, it is the City's policy to limit investments to the top two credit ratings (AAA and AA). As of June 30, 2008, approximately 1.4% of the investments in medium-term corporate notes did not have one of these two credit ratings. These two investments had credit ratings of A and BBB+. Both of these investments were made when the credit ratings were AA. California state code and the City's Investment Policy allow the City Treasurer to determine the course of action to correct exceptions to the Policy. It is the intent of the City Treasurer to hold these investments in the portfolio until maturity unless events indicate they should be sold. The default credit risk for corporate notes with a credit rating of single A is greater than U.S. federal agencies, but is considered by the City Treasurer to be within acceptable limits for purposes of holding to maturity. A credit rating of single A is within State code purchase requirements. A credit rating of BBB is considered investment grade for non-California municipality investments.

The Local Agency Investment Fund (LAIF) is an external investment pool managed by the California State Treasurer. Its investments are short-term and follow the investment requirements of the State. As of June 30, 2008, the average maturity of the LAIF investments was 191 days. LAIF is not rated; however, the City Treasurer considers the default credit risk of LAIF to be minimal.

Interest rate risk

Interest rate risk is the risk that investments will lose market value because of increases in market interest rates. A rise in market interest rates will cause the market value of investments made earlier at lower interest rates to lose value. The reverse will cause a gain in market value. As of June 30, 2008, the portfolio had a 0.7% gain in market value.

The City's investment policy has adopted two means of limiting its exposure to market value losses caused by rising market interest rates: (1) limiting total portfolio investments to a maximum modified duration of 2.2, and (2) requiring maturing investments within one year to be equal to an amount that is not less than two-thirds of the current fiscal year's operating budget. The City met those requirements as follows:

1. As of June 30, 2008, the modified duration of the portfolio was 1.858. Modified duration is a prospective measure of the sensitivity of a fixed-income security's value to changes in market rates of interest. Modified duration identifies the potential gain/loss in value before it actually occurs. For example, a modified duration of 1.5 indicates that when and if a 1% change in market interest rates occurs, a 1.5% change in the security's value will result. Investments with modified durations of one to three are considered to be relatively conservative.
2. As of June 30, 2008, maturities within one year exceeded the required minimum of \$124,700,000 (two-thirds of current year operating budget for the City per the 2007-08 Operating Budget adopted by the City Council).

CITY OF CARLSBAD

Notes to the Financial Statements

Note 4. Due To and From Other Funds

There were no amounts due from funds within the City to other funds within the City at June 30, 2008.

Note 5. Advances To and From Other Funds

The following table shows amounts advanced from governmental funds within the City to other funds within the City at June 30, 2008:

Advances From	Advances To	Amount
General Fund	Redevelopment Debt Service Funds	\$ 15,518,292 (1)
General Fund	Financing Districts Special Revenue Funds	916,751
General Fund	Enterprise Funds:	
	Golf Course	48,647,601 (2)
	Solid Waste	952,219 (3)
Special Revenue Funds:	Capital Project Funds:	
Gas Tax	Bridge and Thoroughfare Districts	3,643,344 (4)
Capital Projects Funds:	Capital Project Funds:	
General Capital Construction	Park Development	1,180,000 (4)
	Planned Local Drainage Facilities	420,021 (4)
Public Facilities Construction	Park Development	4,550,000 (5)
		<u>\$ 75,828,228</u>

Advances to and from other funds are primarily long term advances used to fund capital projects in advance of related revenues.

- (1) The advance between the General Fund and the Redevelopment Debt Service Funds is estimated to be repaid over a 10-15 year period as the tax increment collected within the redevelopment areas grow. Interest on the advance will compound annually at the average interest rate earned by the Treasurer's Pool during the fiscal year.
- (2) The advance between the General Fund and the Golf Course Fund is estimated to be repaid over a 35-40 year period through possible disposition of golf course assets and residual operating income from golf course operations. Interest on the advance will compound annually at the average interest rate earned by the Treasurer's Pool during the fiscal year.
- (3) The advance between the General Fund and the Solid Waste Fund is estimated to be repaid at \$136,000 per annum.
- (4) These advances are estimated to be repaid in Fiscal Year 2008-09.
- (5) The advance between the Public Facilities Construction Fund and the Park Development Funds is estimated to be repaid at build-out.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2008:

	Balance at July 1, 2007	Increases	Decreases	Balance at June 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 128,132,931	\$ -	\$ -	\$ 128,132,931
Construction in progress	111,317,618	34,213,268	(11,386,102)	134,144,784
Total capital assets, not being depreciated	239,450,549	34,213,268	(11,386,102)	262,277,715
Capital assets, being depreciated:				
Buildings	70,232,559	301,811	-	70,534,370
Improvements, other than buildings	30,192,088	9,048,663	-	39,240,751
Machinery and equipment	26,463,958	2,563,758	(2,093,086)	26,934,630
Infrastructure	446,960,843	47,188,149	(77,584)	494,071,408
Total capital assets, being depreciated	573,849,448	59,102,381	(2,170,670)	630,781,159
Less accumulated depreciation for:				
Buildings	(17,147,590)	(1,464,666)	-	(18,612,256)
Improvements, other than buildings	(5,020,898)	(1,255,850)	-	(6,276,748)
Machinery and equipment	(15,334,775)	(2,563,635)	1,557,794	(16,340,616)
Infrastructure	(117,380,719)	(9,560,265)	77,584	(126,863,400)
Total accumulated depreciation	(154,883,982)	(14,844,416)	1,635,378	(168,093,020)
Total capital assets being depreciated, net	418,965,466	44,257,965	(535,292)	462,688,139
Governmental activities capital assets, net	\$ 658,416,015	\$ 78,471,233	\$ (11,921,394)	\$ 724,965,854

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets (Continued)

	Balance at July 1, 2007	Increases	Decreases	Balance at June 30, 2008
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 8,663,600	\$ -	\$ -	\$ 8,663,600
Construction in progress	81,368,923	12,471,553	(80,430,328)	13,410,148
Total capital assets, not being depreciated	90,032,523	12,471,553	(80,430,328)	22,073,748
Capital assets, being depreciated:				
Buildings	20,213,224	19,961,205	-	40,174,429
Improvements, other than buildings	5,556,571	47,499,145	(3,055)	53,052,661
Machinery and equipment	2,019,241	613,459	(111,685)	2,521,015
Infrastructure	216,253,793	39,863,876	(104,516)	256,013,153
Wastewater treatment facility	44,929,167	4,953,770	-	49,882,937
Total capital assets, being depreciated	288,971,996	112,891,455	(219,256)	401,644,195
Less accumulated depreciation for:				
Buildings	(1,572,799)	(420,259)	-	(1,993,058)
Improvements, other than buildings	(2,434,436)	(148,693)	3,055	(2,580,074)
Machinery and equipment	(1,120,619)	(263,602)	13,176	(1,371,045)
Infrastructure	(43,092,586)	(4,357,903)	78,609	(47,371,880)
Wastewater treatment facility	(25,442,363)	(860,151)	-	(26,302,514)
Total accumulated depreciation	(73,662,803)	(6,050,608)	94,840	(79,618,571)
Total capital assets being depreciated, net	215,309,193	106,840,847	(124,416)	322,025,624
Business-type activities capital assets, net	<u>\$ 305,341,716</u>	<u>\$ 119,312,400</u>	<u>\$ (80,554,744)</u>	<u>\$ 344,099,372</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 545,392
Community development	202,011
Public safety	447,194
Community services	2,044,546
Public works	9,829,512
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	<u>1,775,761</u>
Total depreciation expense - governmental activities	<u><u>\$ 14,844,416</u></u>

Business-type activities:

Wastewater	\$ 2,566,142
Water	3,276,239
Golf course	<u>208,227</u>
Total depreciation expense - business-type activities	<u><u>\$ 6,050,608</u></u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 7. Accrued Liabilities

Accrued liabilities were as follows at June 30, 2008:

	Vendors and Miscellaneous	Salaries and Benefits	IFD Payable	Refuse Disposal	Total
Governmental activities:					
General Fund	\$ 1,661,546	\$ 3,668,181	\$ 152,224	\$ -	\$ 5,481,951
Assessment and Other					
Districts	115,735	-	-	-	115,735
Community Facilities					
District No. 1	430,833	-	-	-	430,833
General Capital Construction	244,562	-	-	-	244,562
Infrastructure Replacement	30,435	-	-	-	30,435
Public Facilities					
Construction	490,574	-	-	-	490,574
Other Governmental Funds	1,164,434	113,340	-	-	1,277,774
Subtotals	4,138,119	3,781,521	152,224	-	8,071,864
* Internal Service Funds	502,710	3,508,333	-	-	4,011,043
Total governmental activities	<u>\$ 4,640,829</u>	<u>\$ 7,289,854</u>	<u>\$ 152,224</u>	<u>\$ -</u>	<u>\$ 12,082,907</u>
Business-type activities:					
Enterprise funds:					
Carlsbad Municipal Water					
District	\$ 418,515	\$ 372,547	\$ -	\$ -	\$ 791,062
Golf Course	408,701	-	-	-	408,701
Wastewater	478,706	120,373	-	-	599,079
Solid Waste	135,022	77,254	-	273,078	485,354
Total business-type activities	<u>\$ 1,440,944</u>	<u>\$ 570,174</u>	<u>\$ -</u>	<u>\$ 273,078</u>	<u>\$ 2,284,196</u>

* Internal service funds have been included with governmental activities on the Government-wide Statement of Net Assets.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2008:

	Principal Balance at June 30, 2007	Additions	Reductions	Principal Balance at June 30, 2008	Due Within One Year
Governmental activities:					
Bonds	\$ 11,645,000	\$ -	\$ 440,000	\$ 11,205,000	\$ 465,000
Certificates of participation	1,435,000	-	700,000	735,000	735,000
Obligations under capital leases	-	-	-	-	-
Total governmental activities	<u>\$ 13,080,000</u>	<u>\$ -</u>	<u>\$ 1,140,000</u>	<u>\$ 11,940,000</u>	<u>\$ 1,200,000</u>
Business-type activities:					
Bonds	\$ 18,540,000	\$ -	\$ -	\$ 18,540,000	\$ 275,000
Installment purchase agreement	6,125,000	-	640,000	5,485,000	675,000
Loans payable	29,095,779	542,234	1,172,574	28,465,439	1,358,963
Obligations under capital leases	699,111	449,614	190,923	957,802	221,926
	<u>54,459,890</u>	<u>991,848</u>	<u>2,003,497</u>	<u>53,448,241</u>	<u>2,530,889</u>
Less deferred charges	(789,409)	-	(74,227)	(715,182)	-
Plus premiums	291,635	-	9,895	281,740	-
Total business type activities	<u>\$ 53,962,116</u>	<u>\$ 991,848</u>	<u>\$ 1,939,165</u>	<u>\$ 53,014,799</u>	<u>\$ 2,530,889</u>

Long-term debt at June 30, 2008 is comprised of the following issues:

	Balance at June 30, 2008
Governmental long-term debt	
1993 Carlsbad Housing and Redevelopment Commission Tax Allocation	
Bonds, principal due in amounts ranging from \$465,000 to \$1,000,000 on September 1 of each year through 2024. Interest payable on March 1 and September 1 at rates varying from 5.25% to 5.30% per annum. The City posted a surety bond in lieu of cash reserve in the amount of \$1,055,953. Payable from redevelopment property tax increment revenues.	\$ 11,205,000
1997 Hosp Grove Refunding Certificates of Participation, final principal due in an amount of \$735,000 on August 1 of 2008, final interest payable on August 1 of 2008 at a rate of 4.70%. Payable from the General Fund, with a required reserve amount of \$659,500.	735,000
Sub-total governmental long-term debt	11,940,000
Less current portion	1,200,000
Total long-term portion of governmental debt	<u>\$ 10,740,000</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt (Continued)

	Balance at June 30, 2008
Business-type long-term debt	
2006 Carlsbad Public Financing Authority (Golf Course) Revenue Bonds, principal due in varying amounts ranging from \$275,000 to \$1,185,000 on September 1 of each year beginning in 2008 through 2036, interest payable on March 1 and September 1 of each year through 2036, at rates varying from 4.00% to 5.00% per annum. The required reserve amount is \$1,238,325. Payable from golf course operating revenues and lease payments by the City.	\$ 18,540,000
1997 Encina Financing Joint Powers Authority (EFJPA) Installment Purchase Agreement, principal due in varying amounts ranging from \$675,000 to \$905,000 on August 1 of each year through 2015, interest payable on February 1 and August 1 each year at rates varying from 4.90% to 5.125% per annum. The required reserve amount is \$937,169. Payable from sewer user fees.	5,485,000
1993 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board. Principal is due in varying amounts ranging from \$123,222 to \$151,558 on November 30 of each year through 2013, interest payable on November 30 of each year at 2.90% per annum. Payable from recycled water user fees.	839,487
2005 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board. Principal is due in varying amounts ranging from \$425,113 to \$631,082 on June 1 of each year through 2025, interest payable on June 1 of each year at 2.50% per annum. Payable from recycled water user fees.	8,869,864
2006 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board. Principal is due in varying amounts ranging from \$798,669 to \$1,201,977 on April 1 of each year through 2027, interest payable on April 1 of each year at 2.30% per annum. Payable from recycled water user fees.	18,756,088
The Carlsbad Public Financing Authority has entered into several golf course maintenance equipment lease purchase agreements and G.P.S. equipment lease purchase agreements. As of June 30, 2008, the City has purchased maintenance equipment and G.P.S. equipment totaling \$1,170,745. The lease terms range from 50 to 60 months, with interest rates ranging from 4.75% to 7.71%. The leases expire between April 2012 and March 2013. Payable from golf course operating revenues and lease payments by the City.	957,802
Subtotal business-type long-term debt	53,448,241
Less unamortized premiums, issuance costs and deferred charges	(433,442)
Less current portion	(2,530,889)
Total long-term portion of business-type debt	<u>\$ 50,483,910</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt (Continued)

The aggregate maturities of long-term debt are as follows:

Year ended June 30:	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 1,200,000	\$ 595,182	\$ 2,530,889	\$ 1,805,090
2010	490,000	552,840	2,620,114	1,715,404
2011	515,000	526,459	2,716,197	1,620,832
2012	540,000	498,765	2,807,040	1,518,943
2013	570,000	469,627	2,668,866	1,424,168
2014–2018	3,330,000	1,854,113	11,123,686	5,866,953
2019–2023	4,295,000	856,337	10,791,495	4,331,842
2024–2028	1,000,000	26,500	9,344,954	2,711,256
2029–2033	-	-	4,430,000	1,511,550
2034–2038	-	-	4,415,000	409,387
	<u>\$ 11,940,000</u>	<u>\$ 5,379,823</u>	<u>\$ 53,448,241</u>	<u>\$ 22,915,425</u>

Note 9. Rate Covenants

The 1997 Encina Financing Joint Powers Authority Installment Purchase Agreement requires that the District set its charges for services each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of the District, excluding depreciation) of at least 1.25 times debt service for that year.

The 2005 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board requires that the District set its charges for services and rates for fees each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of the District, excluding depreciation) of at least 1.0 times debt service for that year.

The 2006 Carlsbad Public Financing Authority (Golf Course) Revenue Bond require the Authority to set rates, fees and charges which, when added to other revenues received from the Authority, are at least sufficient to yield gross revenues which are sufficient to pay all operating and maintenance expenses estimated by the Authority, and the principal and interest on the bonds as they become due and payable, reserve requirements, and all other payments required to meet any other obligations of the Authority. If the Authority is unable to generate sufficient revenues to make the principal and interest payments on the bonds as they become due, the City of Carlsbad's General Fund will make the payments.

All rate covenants requirements were met for the year ended June 30, 2008.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 10. Debt without Government Commitment

In the opinion of City officials, the bonds listed below are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing power of the City of Carlsbad, the State of California, nor any political subdivision thereof, is obligated to the payment of the principal or interest on the bond. Accordingly, no liability has been recorded in the accompanying financial statements.

Limited obligation improvement bonds

As of June 30, 2008, the City has six series of Assessment District Bonds outstanding in the amount of \$68,331,504. These bonds were issued under the provisions of the Improvement Bond Acts of 1911 and 1915 and were used to finance public infrastructure improvement projects. The City collects assessments to pay the bond debt. These monies are accounted for in the Assessment Districts' Agency funds.

Special tax bonds

As of June 30, 2008, the City has two series of Community Facilities District (CFD) Bonds outstanding in the amount of \$29,490,000. These bonds were issued under the provisions of the Mello-Roos Community Facilities Act of 1982 and were used to finance public infrastructure improvement projects. The City collects special taxes to pay the bond debt. These monies are accounted for in the CFDs' Agency funds.

Mortgage revenue bonds

Multi-Family Housing Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the City which will be partially occupied by persons of low or moderate income. The total amount of mortgage revenue bonds outstanding as of June 30, 2008 is \$24,400,000. The bonds, together with interest thereon, are limited obligations of the City payable solely from bond proceeds, revenues and other amounts derived solely from home mortgage and developer loans secured by first deeds of trust, irrevocable letters of credit, and irrevocable surety bonds.

Industrial development bonds

The Industrial Development Authority of the City has issued a \$2,070,000 Industrial Development Revenue Bond. The total principal amount outstanding as of June 30, 2008 is \$1,500,000. Any costs relating to the issuance of the Bond, as well as the principal and interest payments, are to be paid by the private party benefiting from the bond issue.



CITY OF CARLSBAD

Notes to the Financial Statements

Note 11. Fund Balances

The following is a summary of reserved and unreserved fund balances as of June 30, 2008:

Fund Balances	Governmental Funds			
	General	Redevelopment Debt Service Funds	Assessment and Other Districts	Community Facilities District No. 1
Reserved for:				
Loans receivable	\$ 147,244	\$ -	\$ -	\$ -
Inventory	23,070	-	-	-
Prepaid items	56,748	-	-	-
Debt service	-	-	-	-
Advances to other other funds*	49,691,055	-	-	-
Flower fields preservation	-	-	-	-
Library endowment	-	-	-	-
Low and moderate income housing	-	-	-	-
Encumbrances	6,561,013	-	44,232	501,804
Totals	56,479,130	-	44,232	501,804
Unreserved:				
Designated for approved capital projects	-	-	2,551,521	53,957,508
Designated for continuing appropriations	18,434,130	-	11,222,509	1,586,973
Totals	18,434,130	-	13,774,030	55,544,481
Undesignated	46,059,403	(12,116,353)	-	-
Total fund balances	\$ 120,972,663	\$ (12,116,353)	\$ 13,818,262	\$ 56,046,285

* Only reflects that portion of fund balance invested in interfund advances (the General Fund amount is net of \$16,343,808 in deferred revenue for measurable but unavailable interest earned on such advances).

CITY OF CARLSBAD

Notes to the Financial Statements

Note 11. Fund Balances (Continued)

Governmental Funds				
General Capital Construction	Infrastructure Replacement	Public Facilities Construction	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 13,062,352	\$ 13,209,596
-	-	-	-	23,070
-	-	-	378,131	434,879
-	-	-	659,500	659,500
1,600,021	-	4,550,000	3,643,344	59,484,420
-	-	-	935,000	935,000
-	-	-	250,000	250,000
-	-	-	3,521,267	3,521,267
2,553,528	144,797	1,050,979	6,068,289	16,924,642
4,153,549	144,797	5,600,979	28,517,883	95,442,374
-	-	12,418,882	44,848,730	113,776,641
48,735,322	2,531,609	28,245,582	21,664,877	132,421,002
48,735,322	2,531,609	40,664,464	66,513,607	246,197,643
13,844,456	35,556,440	-	28,048,648	111,392,594
<u>\$ 66,733,327</u>	<u>\$ 38,232,846</u>	<u>\$ 46,265,443</u>	<u>\$ 123,080,138</u>	<u>\$ 453,032,611</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 11. Fund Balances (Continued)

Reserves for loan receivables, inventory, prepaid items and advances to other funds, net of accrued interest recorded as deferred revenue, are established to show that certain assets are already committed to other purposes and are not available for discretionary expenditures.

Reserves for debt service represent resources legally restricted to the payment of long-term debt principal and interest maturing in future years.

Reserves for flower-fields preservation represent resources set aside to support floriculture research for the preservation of the "Flower Fields" located in Carlsbad.

Reserves for library endowment represent resources set aside to support programs in the Dove Library auditorium.

Reserves for encumbrances represent commitments related to unperformed contracts for services and undelivered goods.

Unreserved-undesignated and unrestricted represents the fund balance or net assets remaining after reduction for reserved and designated fund balances or net assets.

Note 12. Accumulated Fund Deficits/Negative Net Assets

The following funds reported deficits in fund balances or net assets as of June 30, 2008:

	Deficit Balance
Debt Service Funds:	
Redevelopment Areas	\$ (12,116,353)

CITY OF CARLSBAD

Notes to the Financial Statements

Note 13. Interfund Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfers In		Transfers Out	Amount
General Fund	Information Technology Internal Service Fund		\$ 563,000
	Gas Tax Special Revenue Fund		10,000
Redevelopment Debt Service Funds	Redevelopment Agency Capital Project Funds		3,400
General Capital Construction	General Fund		10,850,000
	Information Technology Internal Service Fund		18,400
Infrastructure Replacement	General Fund		7,900,000
Debt Service Funds:			
Hosp Grove COPs	General Fund		275,000
Capital Project Funds:			
Redevelopment Agency	Redevelopment Debt Service Funds		307,000
Sales Tax/TransNet	Grants and Other Capital Project Funds		28
Traffic Impact Projects	Community Facilities District No. 1 Capital Project Fund		463,557
Enterprise Funds:			
Carlsbad Municipal Water District	Self Insured Benefits Internal Service Fund		2,495,187
Solid Waste	General Fund		138,800
			<u>\$ 23,024,372</u>

Transfers are used to (1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (2) move the remaining fund balances of closed funds to the General Fund, (3) move revenues and expenditures to the appropriate funds, and (4) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 14 Risk Management

The City is exposed to various risks of loss related to its operations, including losses associated with errors and omissions and injuries to employees and members of the public. The City uses a Risk Management Self-Insurance Fund, a Self Insured Benefits Fund and a Workers' Compensation Fund (all internal service funds) to account for and finance its uninsured risks of loss. All funds of the City make payments based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

Since July 1, 1999, the City has been a member of the California Municipal Excess Liability Program, a group purchase program for general liability coverage. Under this program, the pool provides coverage up to a maximum of \$10,000,000 per occurrence with a self-insured retention provided by the City in the amount of \$500,000. At June 30, 2008, the unrestricted fund equity for the Risk Management Self-Insurance fund was approximately \$144,000.

Dental insurance coverage for City employees is administered by MetLife. Under the City's agreement with MetLife, MetLife will pay dental claims for each covered member, up to a maximum of \$1,500 per calendar year.

The City is insured for workers' compensation claims by Continental Casualty. Continental Casualty provides coverage up to a maximum of \$2,500,000 per occurrence for losses which exceed the City's self-insured retention of \$1,000,000 per claim for police and fire employees, and \$750,000 for all other employees. At June 30, 2008, the unrestricted fund equity for the Workers' Compensation Self-Insurance fund was approximately \$2,988,000.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 14. Risk Management (Continued)

The estimated claims payable reported at June 30, 2008 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settled claims did not exceed insurance coverage during the past fiscal year. However, in Fiscal Year 2006-07, the City settled a large property damage claim related to the Marbella condominiums that exceeded the City's insurance coverage. The City has received some reimbursements from their insurance carrier for this excess amount, and continues to pursue additional recoveries.

Changes in the estimated claims payable amounts in Fiscal Years 2007 and 2008 for the three internal service funds are as follows:

	Claims			
	Beginning Balance	Expense and Changes in Estimates	Claim Payments	Ending Balance
Self-Insured Benefits fund:				
2006 - 07	\$ 77,866	\$ 457,325	\$ (459,983)	\$ 75,208
2007 - 08	75,208	840,672	(840,672)	75,208
Risk Management fund:				
2006 - 07	752,020	307,805	(517,304)	542,521
2007 - 08	542,521	258,371	(640,703)	160,189
Workers' Compensation fund:				
2006 - 07	3,297,948	887,759	(1,112,101)	3,073,606
2007 - 08	3,073,606	1,597,765	(1,693,283)	2,978,088

Note 15. Joint Ventures

Encina Water Pollution Control Facilities

The Encina Water Pollution Control Facilities (the Facilities) are wastewater facilities owned jointly by the Cities of Carlsbad, Vista and Encinitas and the Leucadia County Water District, the Buena Vista Sanitation District and the Vallecitos Water District. The Encina Wastewater Authority (EWA) is a joint powers authority established to operate and administer the Facilities. It is responsible for the management, maintenance and operations of the joint system. Ownership interests in the Facilities are determined by joint agreement at the time the assets are acquired. As of June 30, 2008, the Cities and Districts have the following approximate ownership interest:

City of Carlsbad	25%
City of Vista	22%
Leucadia Wastewater District	20%
Vallecitos Water District	20%
Buena Sanitation District	8%
City of Encinitas	5%

CITY OF CARLSBAD

Notes to the Financial Statements

Note 15. Joint Ventures (Continued)

EWA's financial statements for the fiscal year ended June 30, 2007 (the latest available) reflect the following:

Total assets	\$ 106,498,723
Total liabilities	6,441,743
Net assets	<u>\$ 100,056,980</u>

The EWA does not recognize net income or loss. Net operating expenditures in excess of users' assessments are treated as accounts receivable on EWA's books and charged to users' accounts in the following year. Conversely, users' assessments in excess of net operating expenditures are treated as a liability and credited against users' accounts, also in the following year. Under this basis, net operating income (before member billings) for the EWA totaled \$58,382 in Fiscal Year 2007. The financial statements of the EWA can be obtained at 6200 Avenida Encinas, Carlsbad, California 92011 or at www.encinajpa.com.

Encina Financing Joint Powers Authority

The Encina Financing Joint Powers Authority (the Authority) was created on February 1, 1989 between the City of Carlsbad (Carlsbad), the City of Vista (Vista), the Buena Vista Sanitation District (Buena) and the Leucadia County Water District (Leucadia). The primary purpose of the Authority is to issue revenue bonds in order to finance the expansion of the Facility.

The Authority is governed by a Board of Directors, which consists of one director appointed by each member. The financial statements of the Authority can be obtained at the City of Carlsbad's Finance Department.

In August 1989, the Authority issued \$33,500,000 of revenue bonds and executed installment purchase agreements for approximately the same amount. In February 1997, bonds were issued by the Authority to refinance and defease the outstanding bonds. Two of the members (Buena and Vista) defeased their 1989 obligations through available funds; while Carlsbad and Leucadia refinanced their obligations. Repayment of the bonds will be accomplished through payments made by Carlsbad and Leucadia pursuant to the new installment purchase agreements. The individual agreements set forth the purchase price and specify the debt service requirements for each member.

The following is a table of the outstanding balance owed as of June 30, 2008:

Member	Agreement Balance
City of Carlsbad	\$ 5,485,000
Leucadia Wastewater District	3,735,000
	<u>\$ 9,220,000</u>

The installment balances are secured by a pledge of the revenues from each member's wastewater system, net of a deduction for maintenance and operating costs. Significant covenants within the agreements require the members to maintain insurance on the facility, and establish wastewater rates which are sufficient to pay the operating costs and debt service on the bonds and which will result in net revenues equal to at least 1.25 times the annual installment payments due.

The City's share in the accounts of the Authority is recorded in the Wastewater Enterprise Fund. The expansion of the Facility is shown as a capital asset of the Wastewater Enterprise Fund.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 16. Retirement Plan

Plan description

The City of Carlsbad contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions, and all other requirements, are established by state statutes and city ordinances. Copies of PERS' annual financial report may be obtained from their executive office: Lincoln Plaza, 400 P Street, Sacramento, California 95814.

Funding policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes 7% of the required 8% contributions for non-safety employees, and 8% of the required 9% contributions for the City's safety employees. The City is required to contribute at an actuarially determined rate. For the year ended June 30, 2008, the employer contribution rate for the City of Carlsbad (as a percentage of covered payroll) was 28.462% for safety employees and 20.478% for miscellaneous employees. The contribution requirements of plan members and the City are established by PERS.

In October 2007, the City was notified by PERS that the employer contribution rate for the City of Carlsbad (as a percentage of payroll) will be 29.619% for safety employees and 20.819% for miscellaneous employees for the fiscal year ended June 30, 2009.

Annual pension cost

For Fiscal Year 2007-08, the City's annual pension cost (employer contribution) of \$5,198,332 for safety and \$6,737,651 for miscellaneous to PERS was equal to the City's required and actual contributions. For Fiscal Year 2007-08, the member contributions paid by the City and its employees were \$1,677,263 for safety and \$2,657,076 for miscellaneous. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25% to 14.45% depending on age, service and type of employment, (c) 3.0% inflation factor, (d) payroll growth of 3.25%, and (e) individual salary growth that utilizes a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-year trend information for PERS (safety)

Fiscal Year Ending	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$ 4,152,149	100%	\$ -
6/30/07	4,453,495	100%	-
6/30/08	5,198,332 *	100%	-

* Includes 27 pay periods during the fiscal year, versus 26 pay periods in the previous two fiscal years.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 16. Retirement Plan (Continued)

Three-year trend information for PERS (miscellaneous)

Fiscal Year Ending	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$ 5,667,848	100%	\$ -
6/30/07	5,746,407	100%	-
6/30/08	6,737,651 *	100%	-

* Includes 27 pay periods during the fiscal year, versus 26 pay periods in the previous two fiscal years.

Required supplementary information

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The Schedule of Funding Progress presented below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Funded status of plan (safety)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/05	\$ 123,237,518	\$ 102,021,173	\$ 21,216,345	82.8%	\$ 14,305,227	148.3%
6/30/06	136,506,300	111,646,998	24,859,302	81.8%	15,030,260	165.4%
6/30/07	146,615,477	122,431,038	24,184,439	83.5%	16,504,247	146.5%

Funded status of plan (miscellaneous)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/05	\$ 149,626,877	\$ 117,576,007	\$ 32,050,870	78.6%	\$ 26,688,294	120.1%
6/30/06	164,803,264	131,137,658	33,665,606	79.6%	28,237,819	119.2%
6/30/07	181,709,370	146,130,775	35,578,595	80.4%	30,101,458	118.2%

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. Postretirement Healthcare

During the year ended June 30, 2008, the City implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for postemployment benefits. Previously, the costs of such benefits were generally recognized as expenditures/expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs, as they pertain to the City of Carlsbad and the Carlsbad Municipal Water District, are set forth below.

The City of Carlsbad (City) and former employees of the Carlsbad Municipal Water District (CMWD) are offered other post employment benefits (OPEB) in the form of health benefits. The majority of City of Carlsbad employees are under the City of Carlsbad defined contribution plan. The Carlsbad Municipal Water District has a defined benefit plan.

Plan descriptions

Carlsbad Municipal Water District

The first plan is for active and retired employees that were employed with the Carlsbad Municipal Water District (CMWD) at the time the District was acquired by the City. Per Resolution 614, all former employees of CMWD (including dependents) are eligible for postretirement health care benefits if they voluntarily retire after the age of 50, with no less than five years of service and whose age, combined with years of service, equals 70 or more. There are approximately eleven active and thirteen retired plan members as of June 30, 2006.

The City pays for 100% of the premiums for health insurance which is coordinated with Medicare and other benefits provided by federal and state law, when available, to the extent it reduces the cost of insurance premiums. This plan is administered by the Association of California Water Agencies (ACWA).

City of Carlsbad

City of Carlsbad (City) employees are offered health insurance coverage under the Public Employee' Medical and Hospital Care Act (PEMHCA), which is administered by the California Public Employees Retirement System (CalPERS). Under PEMHCA, the City is required to pay a small portion of the monthly medical premiums of retired employees (considered a subsidy), if the retired employees continue their medical coverage under PEMHCA. There are approximately 630 active and 93 retired plan members as of June 30, 2006. Surviving spouses of eligible retirees are eligible for the City subsidy. Surviving spouses/domestic partners of deceased active members are eligible for the City subsidy only if the employee had attained age 50 with five years of service.

The City pays a monthly subsidy per eligible employee/retiree regardless of coverage elected:

Calendar year 2007	\$80.80
Calendar year 2008	97.90
Calendar year 2009	101.00

Thereafter, the subsidy is adjusted annually to reflect changes in the medical component of the Consumer Price Index.

California Public Employer's Retiree Benefit Trust Program

The City is participating in the California Employer's Retiree Benefit Trust Program (CERBT) through irrevocable trust agreements for both plans. CERBT, an agent multiple-employer plan, is held and after the first three years, will be administered by the California Public Employee's Retirement System (CalPERS). The City does not issue separate stand-alone financial reports for either of the two plans. The City's OPEB financial statements will be included in the CalPERS annual financial report. The CalPERS annual financial report can be obtained by contacting their executive office: Lincoln Plaza, 400 P Street, Sacramento, California 95814.

Funding policy

The obligation of the CMWD to contribute to the CMWD plan is established, and may not be amended by the CMWD Board. The obligation of the City to contribute to the City plan is established, and as long as the City is a member of PEMHCA, may not be amended by the City Council. The City Council does have the authority to change health insurance coverage outside of PEMHCA, which could change the funding obligation for City employees.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. Postretirement Healthcare (Continued)

Employees are not required to contribute to the plan. The City and CMWD are required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's and CMWD's annual OPEB costs for the current year and the related information for each plan are as follows:

Annual OPEB cost

	<u>CMWD</u>	<u>City</u>
2007-08 Annual Required Contribution (ARC)	\$ 195,235	\$ 643,109
2007-08 Contributions Made	(195,235)	(643,109)
Funding of Prior Year Obligation	<u>(2,495,187)</u>	<u>(4,895,909)</u>
Increase (Decrease) in Net OPEB Obligation	(2,495,187)	(4,895,909)
Net OPEB Obligation - beginning of year, as restated	<u>2,495,187</u>	<u>4,895,909</u>
Net OPEB Obligation - end of year	<u>\$ -</u>	<u>\$ -</u>

The City's and CMWD's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2008 were as follows:

	<u>Year</u>	<u>Annual</u>	<u>Percentage of</u>	<u>Net OPEB</u>
	<u>Ended</u>	<u>OPEB Cost</u>	<u>Contributed</u>	<u>Obligation</u>
Carlsbad Municipal Water District	6/30/08	\$ 195,235	100.0%	\$ -
City of Carlsbad	6/30/08	\$ 643,109	100.0%	\$ -

Funded status and funding progress

The funded status of the plans as of June 30, 2006, was as follows:

	<u>CMWD</u>	<u>City</u>
Actuarial Accrued Liability (a)	\$ 2,548,860	\$ 5,404,319
Actuarial Value of Plan Assets (b)	<u>-</u>	<u>-</u>
Unfunded Actuarial Accrued Liability	<u>\$ 2,548,860</u>	<u>\$ 5,404,319</u>
Funded Ratio (b)/(a)	<u>0.0%</u>	<u>0.0%</u>

During Fiscal Year 2007-08, the City and CMWD fully funded the actuarial accrued liabilities calculated as of June 30, 2006. The City and CMWD are required to have bi-annual actuarial valuations. The actuarial valuations as of June 30, 2008 will reflect the funding of the actuarial accrued liabilities by the City and CMWD.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for the benefits.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. Postretirement Healthcare (Continued)

Actuarial methods and assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2006 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.75 percent investment rate of return (net of administrative expenses), a three percent annual inflation rate, a medical inflation rate of ten percent per annum graded down each year in one percent increments to an ultimate rate of five percent, and a City subsidy rate increasing at a rate of five percent grading down to three percent.

The annual required contribution under this method equals the normal cost plus the amortization of the unfunded actuarial accrued liability over a thirty (30) year period. The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.

Required supplementary information

Funded status of plan (CMWD)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status
6/30/06	\$ 2,548,860	\$ -	\$ 2,548,860	0.0% *

Funded status of plan (City)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status
6/30/06	\$ 5,404,319	\$ -	\$ 5,404,319	0.0% *

* During Fiscal Year 2007-08, the City and the CMWD fully funded the actuarial accrued liabilities calculated as of June 30, 2006.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 18. Commitments and Contingencies

Operating lease

The Agency has three parking lot leases and one building lease, all on a month-to-month lease term.

Water purchase agreements

On March 25, 1991, CMWD entered into a twenty year agreement with the Leucadia County Water District, to purchase recycled water to be used primarily for irrigation at the La Costa Resort & Spa golf course, and for other appropriate uses within the CMWD's boundaries. CMWD agreed to purchase a minimum of 394 acre feet of recycled water per fiscal year, at a basic price of retail potable water charged to residential users within the CMWD boundary. The current cost is \$724.49 per acre foot or a minimum of \$285,449 per fiscal year, regardless of the actual amount used.

On August 5, 2003, CMWD entered into a twenty-two year agreement with the Vallecitos Water District, to purchase three million gallons per day (3,360 acre feet) of recycled water for uses throughout CMWD's boundaries. The agreement stipulates that CMWD pay for the actual operating costs of the Mahr Reservoir, which produces the water, since CMWD is the only customer of the water produced. The estimated operating costs for the period ended June 30, 2008 is \$726,000.

Note 19. Prior Period Adjustments

The City and the Carlsbad Municipal Water District (CMWD) adjusted their net assets to recognize the net other post employment benefit (OPEB) obligations for the prior eight fiscal years. The cumulative effect of these changes on the beginning net assets balance of business-type and governmental activities, and on the Self Insured Benefits Internal Service Fund and the Carlsbad Municipal Water District Fund are as follows:

	Governmental Activities	Business-type Activities
Net assets at July 1, 2007	\$ 1,100,129,749	\$ 336,853,488
Recognize net OPEB obligation for eight prior fiscal years	(4,895,909)	(2,495,187)
Net assets at July 1, 2008, as restated	<u>\$ 1,095,233,840</u>	<u>\$ 334,358,301</u>

	Self Insured Benefits Internal Service Fund	Carlsbad Municipal Water District Enterprise Fund
Net assets at July 1, 2007	\$ 8,685,705	\$ 183,725,299
Recognize net OPEB obligation for eight prior fiscal years	(4,895,909)	(2,495,187)
Net assets at July 1, 2008, as restated	<u>\$ 3,789,796</u>	<u>\$ 181,230,112</u>



SUPPLEMENTARY INFORMATION

CITY OF CARLSBAD

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds				
	Affordable Housing	Community Development Block Grant	Donations and Endowments	Financing Districts	Gas Tax
ASSETS					
Cash and investments	\$ 13,761,129	\$ 57,003	\$ 1,849,537	\$ 3,206,991	\$ 6,070,154
Receivables:					
Taxes	-	-	-	-	-
Other	-	-	-	6,273	-
Accounts, net	-	-	-	-	-
Due from other governments	-	42,903	-	-	440,676
Prepaid items	-	-	-	-	-
Restricted assets, cash and investments	-	-	-	-	-
Loan receivables	10,244,631	224,404	-	-	-
Advances to other funds	-	-	-	-	3,643,344
Total assets	<u>\$ 24,005,760</u>	<u>\$ 324,310</u>	<u>\$ 1,849,537</u>	<u>\$ 3,213,264</u>	<u>\$ 10,154,174</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	\$ 31,444	\$ 15,827	\$ 10,611	\$ 144,841	\$ 273,510
Deposits payable	-	-	4,769	-	-
Advances from other funds	-	-	-	916,751	-
Total liabilities	<u>31,444</u>	<u>15,827</u>	<u>15,380</u>	<u>1,061,592</u>	<u>273,510</u>
Fund balances:					
Reserved for:					
Loans receivable	10,244,631	224,404	-	-	-
Prepaid items	-	-	-	-	-
Debt service	-	-	-	-	-
Advances to other funds	-	-	-	-	3,643,344
Flower fields preservation	-	-	935,000	-	-
Library endowment	-	-	250,000	-	-
Low and moderate income housing	2,507,267	-	-	-	-
Encumbrances	5,061	10,675	11,618	224,973	416,706
Unreserved:					
Designated for approved capital projects	-	2,278	-	-	3,817,353
Designated for continuing appropriations	-	-	205,263	-	2,003,261
Undesignated	11,217,357	71,126	432,276	1,926,699	-
Total fund balances	<u>23,974,316</u>	<u>308,483</u>	<u>1,834,157</u>	<u>2,151,672</u>	<u>9,880,664</u>
Total liabilities and fund balances	<u>\$ 24,005,760</u>	<u>\$ 324,310</u>	<u>\$ 1,849,537</u>	<u>\$ 3,213,264</u>	<u>\$ 10,154,174</u>

Special Revenue Funds						
Habitat and Agricultural Management	Low and Moderate Income Housing	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ 7,023,159	\$ 4,952,105	\$1,327,458	\$ 937,162	\$ 1,980,141	\$1,516,230	\$ 42,681,069
-	17,661	-	-	-	-	17,661
-	-	-	-	-	475	6,748
-	-	-	-	41,128	-	41,128
-	-	-	-	-	-	483,579
-	-	-	-	378,131	-	378,131
-	-	-	-	-	-	-
-	2,593,317	-	-	-	-	13,062,352
-	-	-	-	-	-	3,643,344
<u>\$ 7,023,159</u>	<u>\$ 7,563,083</u>	<u>\$1,327,458</u>	<u>\$ 937,162</u>	<u>\$ 2,399,400</u>	<u>\$1,516,705</u>	<u>\$ 60,314,012</u>
-						
\$ 74,500	\$ 4,475	\$ 208	\$ 12,873	\$ 25,426	\$ -	\$ 593,715
-	-	-	-	19,071	23,695	47,535
-	-	-	-	-	-	916,751
<u>74,500</u>	<u>4,475</u>	<u>208</u>	<u>12,873</u>	<u>44,497</u>	<u>23,695</u>	<u>1,558,001</u>
-	2,593,317	-	-	-	-	13,062,352
-	-	-	-	378,131	-	378,131
-	-	-	-	-	-	-
-	-	-	-	-	-	3,643,344
-	-	-	-	-	-	935,000
-	-	-	-	-	-	250,000
-	1,014,000	-	-	-	-	3,521,267
-	9,708	9,800	-	162	-	688,703
-	-	-	-	-	-	3,819,631
1,998,973	-	10,877	190,561	-	-	4,408,935
<u>4,949,686</u>	<u>3,941,583</u>	<u>1,306,573</u>	<u>733,728</u>	<u>1,976,610</u>	<u>1,493,010</u>	<u>28,048,648</u>
<u>6,948,659</u>	<u>7,558,608</u>	<u>1,327,250</u>	<u>924,289</u>	<u>2,354,903</u>	<u>1,493,010</u>	<u>58,756,011</u>
<u>\$ 7,023,159</u>	<u>\$ 7,563,083</u>	<u>\$1,327,458</u>	<u>\$ 937,162</u>	<u>\$ 2,399,400</u>	<u>\$1,516,705</u>	<u>\$ 60,314,012</u>

(Continued)

CITY OF CARLSBAD

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2008

	Debt Service Fund	Capital Project Funds			
	Hosp Grove COPs	Bridge and Thoroughfare Districts	Grants and Other Funds	Park Development	Planned Local Drainage Facilities
ASSETS					
Cash and investments	\$ 6,496	\$ 11,619,298	\$ 3,020,542	\$ 9,531,748	\$ 9,991,406
Receivables:					
Taxes	-	-	-	-	-
Other	14,394	-	-	-	-
Accounts, net	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted assets, cash and investments	659,500	-	-	-	-
Loan receivables	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 680,390	\$ 11,619,298	\$ 3,020,542	\$ 9,531,748	\$ 9,991,406
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	\$ -	\$ -	\$ 9,988	\$ -	\$ 13,917
Deposits payable	-	-	-	-	-
Advances from other funds	-	3,643,344	-	5,730,000	420,021
Total liabilities	-	3,643,344	9,988	5,730,000	433,938
Fund balances:					
Reserved for:					
Loans receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Debt service	659,500	-	-	-	-
Advances to other funds	-	-	-	-	-
Flower fields preservation	-	-	-	-	-
Library endowment	-	-	-	-	-
Low and moderate income housing	-	-	-	-	-
Encumbrances	-	-	224,697	-	86,553
Unreserved:					
Designated for approved capital projects	-	7,588,844	2,269,297	-	6,364,074
Designated for continuing appropriations	20,890	387,110	516,560	3,801,748	3,106,841
Undesignated	-	-	-	-	-
Total fund balances	680,390	7,975,954	3,010,554	3,801,748	9,557,468
Total liabilities and fund balances	\$ 680,390	\$ 11,619,298	\$ 3,020,542	\$ 9,531,748	\$ 9,991,406

Capital Project Funds

Rancho Santa Fe Road Project	Redevelopment Agency	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ 18,132,479	\$ 310,351	\$ 8,070,922	\$ 12,474,224	\$ 73,150,970	\$ 115,838,535
-	-	-	-	-	17,661
-	-	-	-	-	21,142
-	12,461	-	-	12,461	53,589
813,206	-	155,225	-	968,431	1,452,010
-	-	-	-	-	378,131
-	-	-	-	-	659,500
-	-	-	-	-	13,062,352
-	-	-	-	-	3,643,344
<u>\$ 18,945,685</u>	<u>\$ 322,812</u>	<u>\$ 8,226,147</u>	<u>\$ 12,474,224</u>	<u>\$ 74,131,862</u>	<u>\$ 135,126,264</u>
 \$ 515,392	 \$ 118,969	 \$ 6,899	 \$ 18,894	 \$ 684,059	 \$ 1,277,774
-	10,701	-	-	10,701	58,236
-	-	-	-	9,793,365	10,710,116
<u>515,392</u>	<u>129,670</u>	<u>6,899</u>	<u>18,894</u>	<u>10,488,125</u>	<u>12,046,126</u>
 -	 -	 -	 -	 -	 13,062,352
-	-	-	-	-	378,131
-	-	-	-	-	659,500
-	-	-	-	-	3,643,344
-	-	-	-	-	935,000
-	-	-	-	-	250,000
-	-	-	-	-	3,521,267
2,444,103	50,581	2,127,743	445,909	5,379,586	6,068,289
12,313,985	-	3,449,340	9,043,559	41,029,099	44,848,730
3,672,205	142,561	2,642,165	2,965,862	17,235,052	21,664,877
-	-	-	-	-	28,048,648
<u>18,430,293</u>	<u>193,142</u>	<u>8,219,248</u>	<u>12,455,330</u>	<u>63,643,737</u>	<u>123,080,138</u>
<u>\$ 18,945,685</u>	<u>\$ 322,812</u>	<u>\$ 8,226,147</u>	<u>\$ 12,474,224</u>	<u>\$ 74,131,862</u>	<u>\$ 135,126,264</u>

CITY OF CARLSBAD

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008**

	Special Revenue Funds				
	Affordable Housing	Community Development Block Grant	Donations and Endowments	Financing Districts	Gas Tax
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,817,567
Intergovernmental	407,147	477,978	-	-	-
Charges for services	60,302	-	-	2,308,351	-
Fines and forfeitures	-	-	-	-	-
Income from property and investments	764,803	84,297	103,110	160,947	357,206
Contributions from property owners	673,026	-	-	6,000	-
Donations	-	-	280,830	-	-
Miscellaneous	167	-	2,528	-	261
Total revenues	1,905,445	562,275	386,468	2,475,298	2,175,034
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	348,035	169,450	52,841	-	-
Community services	-	-	201,853	-	-
Public works	-	-	-	2,238,968	-
Capital outlay	-	288,591	-	157,496	1,603,077
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	348,035	458,041	254,694	2,396,464	1,603,077
Excess (deficiency) of revenues over (under) expenditures	1,557,410	104,234	131,774	78,834	571,957
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(10,000)
Total other financing sources (uses)	-	-	-	-	(10,000)
Net change in fund balances	1,557,410	104,234	131,774	78,834	561,957
Fund balances (deficits) at beginning of year	22,416,906	204,249	1,702,383	2,072,838	9,318,707
Fund balances at end of year	<u>\$ 23,974,316</u>	<u>\$ 308,483</u>	<u>\$ 1,834,157</u>	<u>\$ 2,151,672</u>	<u>\$ 9,880,664</u>

Special Revenue Funds						
Habitat and Agricultural Management	Low and Moderate Income Housing	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ -	\$ 664,886	\$ -	\$ -	\$ -	\$ -	\$ 2,482,453
-	-	-	222,957	6,352,276	-	7,460,358
-	-	-	-	-	450,456	2,819,109
-	-	-	163,467	-	-	163,467
413,627	278,837	73,527	48,515	53,219	73,159	2,411,247
176,137	-	67,891	-	-	-	923,054
-	-	-	-	-	-	280,830
-	-	-	-	15,315	-	18,271
<u>589,764</u>	<u>943,723</u>	<u>141,418</u>	<u>434,939</u>	<u>6,420,810</u>	<u>523,615</u>	<u>16,558,789</u>
-	-	30,000	-	-	-	30,000
-	-	-	238,050	-	-	238,050
1,310,995	106,100	-	-	5,283,979	262,594	7,533,994
-	-	5,423	-	-	-	207,276
-	-	-	-	-	-	2,238,968
-	-	-	-	-	-	2,049,164
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,310,995</u>	<u>106,100</u>	<u>35,423</u>	<u>238,050</u>	<u>5,283,979</u>	<u>262,594</u>	<u>12,297,452</u>
<u>(721,231)</u>	<u>837,623</u>	<u>105,995</u>	<u>196,889</u>	<u>1,136,831</u>	<u>261,021</u>	<u>4,261,337</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	(10,000)
-	-	-	-	-	-	-
-	-	-	-	-	-	(10,000)
<u>(721,231)</u>	<u>837,623</u>	<u>105,995</u>	<u>196,889</u>	<u>1,136,831</u>	<u>261,021</u>	<u>4,251,337</u>
<u>7,669,890</u>	<u>6,720,985</u>	<u>1,221,255</u>	<u>727,400</u>	<u>1,218,072</u>	<u>1,231,989</u>	<u>54,504,674</u>
<u>\$ 6,948,659</u>	<u>\$ 7,558,608</u>	<u>\$ 1,327,250</u>	<u>\$ 924,289</u>	<u>\$ 2,354,903</u>	<u>\$ 1,493,010</u>	<u>\$ 58,756,011</u>

(Continued)

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2008

	Debt Service Fund	Capital Project Funds			
	Hosp Grove COPs	Bridge and Thoroughfare Districts	Grants and Other Funds	Park Development	Planned Local Drainage Facilities
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,655,001	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Income from property and investments	40,795	655,321	69,931	459,030	581,269
Contributions from property owners	-	272,788	696,880	594,554	62,275
Donations	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>40,795</u>	<u>928,109</u>	<u>2,421,812</u>	<u>1,053,584</u>	<u>643,544</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	-	207,450	559,093	959,121
Debt service:					
Principal retirement	700,000	-	-	-	-
Interest and fiscal charges	80,026	-	-	-	-
Total expenditures	<u>780,026</u>	<u>-</u>	<u>207,450</u>	<u>559,093</u>	<u>959,121</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(739,231)</u>	<u>928,109</u>	<u>2,214,362</u>	<u>494,491</u>	<u>(315,577)</u>
Other financing sources (Uses):					
Transfers in	275,000	-	-	-	-
Transfers out	-	-	(28)	-	-
Total other financing sources (uses)	<u>275,000</u>	<u>-</u>	<u>(28)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(464,231)</u>	<u>928,109</u>	<u>2,214,334</u>	<u>494,491</u>	<u>(315,577)</u>
Fund balances at beginning of year	<u>1,144,621</u>	<u>7,047,845</u>	<u>796,220</u>	<u>3,307,257</u>	<u>9,873,045</u>
Fund balances at end of year	<u>\$ 680,390</u>	<u>\$ 7,975,954</u>	<u>\$ 3,010,554</u>	<u>\$ 3,801,748</u>	<u>\$ 9,557,468</u>

Capital Project Funds

Rancho Santa Fe Road Project	Redevelopment Agency	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,482,453
3,230,683	-	1,617,659	-	6,503,343	13,963,701
-	13,719	728,966	-	742,685	3,561,794
-	-	-	-	-	163,467
1,138,916	112,113	427,643	664,502	4,108,725	6,560,767
4,030,187	-	-	1,020,260	6,676,944	7,599,998
-	-	-	-	-	280,830
-	-	-	-	-	18,271
8,399,786	125,832	2,774,268	1,684,762	18,031,697	34,631,281
-	-	-	-	-	30,000
-	-	-	-	-	238,050
-	648,122	-	-	648,122	8,182,116
-	-	-	-	-	207,276
-	-	-	-	-	2,238,968
2,970,825	892,381	2,486,438	469,949	8,545,257	10,594,421
-	-	-	-	-	700,000
-	-	-	-	-	80,026
2,970,825	1,540,503	2,486,438	469,949	9,193,379	22,270,857
5,428,961	(1,414,671)	287,830	1,214,813	8,838,318	12,360,424
-	307,000	28	463,557	770,585	1,045,585
-	(3,400)	-	-	(3,428)	(13,428)
-	303,600	28	463,557	767,157	1,032,157
5,428,961	(1,111,071)	287,858	1,678,370	9,605,475	13,392,581
13,001,332	1,304,213	7,931,390	10,776,960	54,038,262	109,687,557
<u>\$ 18,430,293</u>	<u>\$ 193,142</u>	<u>\$ 8,219,248</u>	<u>\$ 12,455,330</u>	<u>\$ 63,643,737</u>	<u>\$ 123,080,138</u>

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Year Ended June 30, 2008

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Affordable Housing			
Total revenues	\$ 2,140,996	\$ 1,737,606	\$ (403,390)
Total expenditures	464,728	353,096	(111,632)
Net change in fund balance	<u>1,676,268</u>	<u>1,384,510</u>	<u>(291,758)</u>
Community Development Block Grant			
Total revenues	518,940	562,275	43,335
Total expenditures	709,474	468,716	(240,758)
Net change in fund balance	<u>(190,534)</u>	<u>93,559</u>	<u>284,093</u>
Donations and Endowments			
Total revenues	209,270	363,423	154,153
Total expenditures	482,575	266,312	(216,263)
Net change in fund balance	<u>(273,305)</u>	<u>97,111</u>	<u>370,416</u>
Financing Districts			
Total revenues	2,421,305	2,439,626	18,321
Total expenditures	3,073,401	2,621,437	(451,964)
Net change in fund balance	<u>(652,096)</u>	<u>(181,811)</u>	<u>470,285</u>
Gas Tax			
Total revenues	1,918,628	2,099,424	180,796
Total expenditures	4,033,043	2,019,783	(2,013,260)
Net change in fund balance	<u>(2,114,415)</u>	<u>79,641</u>	<u>2,194,056</u>
Habitat and Agricultural Management			
Total revenues	-	495,821	495,821
Total expenditures	3,309,968	1,310,995	(1,998,973)
Net change in fund balance	<u>(3,309,968)</u>	<u>(815,174)</u>	<u>2,494,794</u>
Low and Moderate Income Housing			
Total revenues	906,900	886,650	(20,250)
Total expenditures	154,782	115,808	(38,974)
Net change in fund balance	<u>752,118</u>	<u>770,842</u>	<u>18,724</u>

(Continued)

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
 Budget and Actual (Budgetary Basis)
 Special Revenue Funds (Continued)
 Year Ended June 30, 2008

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Other Special Revenue Funds			
Total revenues	\$ 139,500	\$ 125,096	\$ (14,404)
Total expenditures	56,100	45,223	(10,877)
Net change in fund balance	<u>83,400</u>	<u>79,873</u>	<u>(3,527)</u>
Police Grants and Asset Forfeiture			
Total revenues	420,237	424,275	4,038
Total expenditures	439,216	238,050	(201,166)
Net change in fund balance	<u>(18,979)</u>	<u>186,225</u>	<u>205,204</u>
Section 8 Rental Assistance			
Total revenues	6,490,969	6,412,571	(78,398)
Total expenditures	6,032,910	5,284,141	(748,769)
Net change in fund balance	<u>458,059</u>	<u>1,128,430</u>	<u>670,371</u>
Totals			
Total revenues	15,166,745	15,546,767	380,022
Total expenditures	18,756,197	12,723,561	(6,032,636)
Net change in fund balance	<u>\$ (3,589,452)</u>	<u>\$ 2,823,206</u>	<u>\$ 6,412,658</u>

CITY OF CARLSBAD

**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Debt Service Funds
Year Ended June 30, 2008**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Redevelopment Areas			
Total revenues	\$ 2,805,614	\$ 2,768,429	\$ (37,185)
Total expenditures	1,731,746	1,711,334	(20,412)
Net change in fund balance	<u>\$ 1,073,868</u>	<u>\$ 1,057,095</u>	<u>\$ (16,773)</u>

**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Capital Project Funds
Year Ended June 30, 2008**

	Budget	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
Redevelopment Areas:			
Total revenues	\$ 80,640	\$ 116,319	\$ 35,679
Total expenditures	2,338,528	1,591,083	747,445
Net change in fund balance	<u>\$ (2,257,888)</u>	<u>\$ (1,474,764)</u>	<u>\$ 783,124</u>



CITY OF CARLSBAD

Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

ASSETS	Fleet Management	Self Insured Benefits	Information Technology
Current assets:			
Cash and investments	\$ 9,835,249	\$ 4,479,166	\$ 3,549,252
Receivables:			
Accounts, net	2,031	439	-
Inventory	177,361	-	-
Prepaid items	-	32,922	-
Total current assets	<u>10,014,641</u>	<u>4,512,527</u>	<u>3,549,252</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	15,197,837	-	3,133,216
Less accumulated depreciation	(8,568,616)	-	(2,422,913)
Total capital assets (net of accumulated depreciation)	<u>6,629,221</u>	<u>-</u>	<u>710,303</u>
Total noncurrent assets	<u>6,629,221</u>	<u>-</u>	<u>710,303</u>
Total assets	<u><u>\$ 16,643,862</u></u>	<u><u>\$ 4,512,527</u></u>	<u><u>\$ 4,259,555</u></u>
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 235,992	\$ 3,185,457	\$ 390,771
Estimated claims payable	-	75,208	-
Total current liabilities	<u>235,992</u>	<u>3,260,665</u>	<u>390,771</u>
Total liabilities	<u>235,992</u>	<u>3,260,665</u>	<u>390,771</u>
NET ASSETS			
Invested in capital assets	6,629,221	-	710,303
Unrestricted	<u>9,778,649</u>	<u>1,251,862</u>	<u>3,158,481</u>
Total net assets	<u><u>\$ 16,407,870</u></u>	<u><u>\$ 1,251,862</u></u>	<u><u>\$ 3,868,784</u></u>

Risk Management	Workers' Compensation	Total
\$ 356,177	\$ 5,983,979	\$ 24,203,823
-	-	2,470
-	-	177,361
-	129,031	161,953
356,177	6,113,010	24,545,607

-	-	18,331,053
-	-	(10,991,529)
-	-	7,339,524
-	-	7,339,524
\$ 356,177	\$ 6,113,010	\$ 31,885,131

\$ 51,527	\$ 147,296	\$ 4,011,043
160,189	2,978,088	3,213,485
211,716	3,125,384	7,224,528
211,716	3,125,384	7,224,528

-	-	7,339,524
144,461	2,987,626	17,321,079
\$ 144,461	\$ 2,987,626	\$ 24,660,603

CITY OF CARLSBAD

Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	Fleet Management	Self Insured Benefits	Information Technology
Operating revenues:			
Other charges for services	\$ 4,492,165	\$ 959,734	\$ 5,419,703
Miscellaneous	20,539	-	-
Total operating revenues	4,512,704	959,734	5,419,703
Operating expenses:			
Depreciation	1,528,291	-	247,471
Fuel and supplies	1,171,296	-	-
Claims expense	-	840,672	-
Small equipment purchases	9,473	-	984,394
General and administrative	1,466,417	562,083	4,544,663
Total operating expenses	4,175,477	1,402,755	5,776,528
Operating income (loss)	337,227	(443,021)	(356,825)
Nonoperating revenues (expenses):			
Income from property and investments	525,758	400,274	227,607
Intergovernmental	-	-	140,878
Gain (loss) on sale of property	(61,563)	-	-
Total nonoperating revenues (expenses)	464,195	400,274	368,485
Income (loss) before transfers and capital contributions	801,422	(42,747)	11,660
Transfers out	-	(2,495,187)	(581,400)
Capital contributions	674,888	-	-
Change in net assets	1,476,310	(2,537,934)	(569,740)
Total net assets at beginning of year (as restated)	14,931,560	3,789,796	4,438,524
Total net assets at end of year	<u>\$ 16,407,870</u>	<u>\$ 1,251,862</u>	<u>\$ 3,868,784</u>

Risk Management	Workers' Compensation	Totals
\$ 1,322,380	\$ 1,862,395	\$ 14,056,377
27,807	5,927	54,273
1,350,187	1,868,322	14,110,650
-	-	1,775,762
-	-	1,171,296
640,703	1,693,283	3,174,658
-	-	993,867
339,349	121,550	7,034,062
980,052	1,814,833	14,149,645
370,135	53,489	(38,995)
6,717	342,100	1,502,456
-	-	140,878
-	-	(61,563)
6,717	342,100	1,581,771
376,852	395,589	1,542,776
-	-	(3,076,587)
-	-	674,888
376,852	395,589	(858,923)
(232,391)	2,592,037	25,519,526
\$ 144,461	\$ 2,987,626	\$ 24,660,603

CITY OF CARLSBAD

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	Fleet Management	Self Insured Benefits	Information Technology
Cash flows from operating activities:			
Receipts from customers and users	\$ 4,491,832	\$ 959,295	\$ 5,419,703
Payments to suppliers	(1,665,444)	-	(2,780,568)
Payments to employees	(687,810)	291,215	(2,345,068)
Internal activity - payments to other funds	(322,766)	-	(340,060)
Claims paid	-	(873,594)	-
OPEB funding of accrued liability	-	(5,457,992)	-
Other receipts (payments)	20,539	-	-
Net cash provided by (used in) operating activities	1,836,351	(5,081,076)	(45,993)
Cash flows from noncapital financing activities:			
Operating subsidies and transfers to other funds	-	(2,495,187)	(581,400)
Cash flows from capital and related financing activities:			
Capital contributions	-	-	140,878
(Purchase) sale of capital assets	(731,445)	-	(366,004)
Net cash provided by (used in) capital and related financing activities	(731,445)	-	(225,126)
Cash flows from investing activities:			
Interest on investments	525,215	400,274	227,607
Net increase (decrease) in cash and cash equivalents	1,630,121	(7,175,989)	(624,912)
Cash and cash equivalents at beginning of year	8,205,128	11,655,155	4,174,164
Cash and cash equivalents at end of year	\$ 9,835,249	\$ 4,479,166	\$ 3,549,252

	Risk Management	Workers' Compensation	Total
\$	1,322,380	\$ 1,900,212	\$ 14,093,422
	(96,192)	-	(4,542,204)
	(238,658)	(104,842)	(3,085,163)
	(62,319)	(14,797)	(739,942)
	(1,023,035)	(1,781,508)	(3,678,137)
	-	-	(5,457,992)
	27,807	5,927	54,273
	(70,017)	4,992	(3,355,743)
	-	-	(3,076,587)
	-	-	140,878
	-	-	(1,097,449)
	-	-	(956,571)
	6,717	342,100	1,501,913
	(63,300)	347,092	(5,886,988)
	419,477	5,636,887	30,090,811
\$	356,177	\$ 5,983,979	\$ 24,203,823

(Continued)

CITY OF CARLSBAD

**Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2008**

	Fleet Management	Self Insured Benefits	Information Technology
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 337,227	\$ (443,021)	\$ (356,825)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,528,291	-	247,471
Change in assets and liabilities:			
(Increase) decrease in receivables	(333)	(439)	-
(Increase) in inventory	(39,066)	-	-
(Increase) in prepaid items	-	(32,922)	-
Increase (decrease) in accrued liabilities	10,232	(4,604,694)	63,361
Increase (decrease) in estimated claims payable	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 1,836,351</u>	<u>\$ (5,081,076)</u>	<u>\$ (45,993)</u>
Noncash capital financing activities:			
Capital assets contributed by other funds	<u>\$ 674,888</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Risk Management</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ 370,135	\$ 53,489	\$ (38,995)
-	-	1,775,762
-	37,817	37,045
-	-	(39,066)
-	(129,031)	(161,953)
(57,820)	138,235	(4,450,686)
(382,332)	(95,518)	(477,850)
<u>\$ (70,017)</u>	<u>\$ 4,992</u>	<u>\$ (3,355,743)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 674,888</u>

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2008

Contractors' and Miscellaneous Deposits

ASSETS	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Current assets:				
Cash and investments	\$ 17,333,830	\$ 41,376,063	\$ 42,314,283	\$ 16,395,610
Receivables:				
Other	-	7,772	7,749	23
Prepaid items	544,060	557,133	544,061	557,132
Total current assets	<u>\$ 17,877,890</u>	<u>\$ 41,940,968</u>	<u>\$ 42,866,093</u>	<u>\$ 16,952,765</u>
LIABILITIES				
Accrued liabilities	\$ 487,842	\$ 42,861,251	\$ 43,264,272	\$ 84,821
Deposits held for others	17,390,048	3,863,955	4,386,059	16,867,944
Total liabilities	<u>\$ 17,877,890</u>	<u>\$ 46,725,206</u>	<u>\$ 47,650,331</u>	<u>\$ 16,952,765</u>

Assessment Districts

ASSETS	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Current assets:				
Cash and investments	\$ 6,738,666	\$ 13,620,237	\$ 8,947,734	\$ 11,411,169
Receivables:				
Taxes	45,035	30,636	45,035	30,636
Other	78,031	80,371	82,698	75,704
Total current assets	<u>6,861,732</u>	<u>13,731,244</u>	<u>9,075,467</u>	<u>11,517,509</u>
Restricted assets:				
Cash and investments	6,716,274	1,335,225	205,320	7,846,179
Total restricted assets	<u>6,716,274</u>	<u>1,335,225</u>	<u>205,320</u>	<u>7,846,179</u>
Total assets	<u>\$ 13,578,006</u>	<u>\$ 15,066,469</u>	<u>\$ 9,280,787</u>	<u>\$ 19,363,688</u>
LIABILITIES				
Accrued liabilities	\$ 141,553	\$ 236,834	\$ 197,767	\$ 180,620
Deposits held for others	13,436,453	14,546,727	8,800,112	19,183,068
Total liabilities	<u>\$ 13,578,006</u>	<u>\$ 14,783,561</u>	<u>\$ 8,997,879</u>	<u>\$ 19,363,688</u>

(Continued)

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities

Agency Funds (Continued)

For the Year Ended June 30, 2008

Total Agency Funds

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS				
Current assets:				
Cash and investments	\$ 24,072,496	\$ 54,996,300	\$ 51,262,017	\$ 27,806,779
Receivables:				
Taxes	45,035	30,636	45,035	30,636
Other	78,031	88,143	90,447	75,727
Prepaid items	544,060	557,133	544,061	557,132
Total current assets	<u>24,739,622</u>	<u>55,672,212</u>	<u>51,941,560</u>	<u>28,470,274</u>
Restricted assets:				
Cash and investments	6,716,274	1,335,225	205,320	7,846,179
Total current assets	<u>6,716,274</u>	<u>1,335,225</u>	<u>205,320</u>	<u>7,846,179</u>
Total assets	<u>\$ 31,455,896</u>	<u>\$ 57,007,437</u>	<u>\$ 52,146,880</u>	<u>\$ 36,316,453</u>
LIABILITIES				
Accrued liabilities	\$ 629,395	\$ 43,098,085	\$ 43,462,039	\$ 265,441
Deposits held for others	30,826,501	18,410,682	13,186,171	36,051,012
Total liabilities	<u>\$ 31,455,896</u>	<u>\$ 61,508,767</u>	<u>\$ 56,648,210</u>	<u>\$ 36,316,453</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements

**\$15,495,000 - 1993 Carlsbad Housing and
Redevelopment Commission Tax Allocation Bonds**

Fiscal Year	Interest Due September 1	Interest Due March 1	Total Interest	Principal Due September 1	Total Annual Debt Service
2008-09	\$ 295,058	\$ 282,851	\$ 577,909	\$ 465,000	\$ 1,042,909
2009-10	282,851	269,989	552,840	490,000	1,042,840
2010-11	269,989	256,470	526,459	515,000	1,041,459
2011-12	256,470	242,295	498,765	540,000	1,038,765
2012-13	242,295	227,332	469,627	570,000	1,039,627
2013-14	227,332	211,583	438,915	600,000	1,038,915
2014-15	211,583	195,045	406,628	630,000	1,036,628
2015-16	195,045	177,589	372,634	665,000	1,037,634
2016-17	177,589	159,213	336,802	700,000	1,036,802
2017-18	159,214	139,920	299,134	735,000	1,034,134
2018-19	139,920	119,576	259,496	775,000	1,034,496
2019-20	119,576	98,183	217,759	815,000	1,032,759
2020-21	98,182	75,525	173,707	855,000	1,028,707
2021-22	75,525	51,675	127,200	900,000	1,027,200
2022-23	51,675	26,500	78,175	950,000	1,028,175
2023-24	26,500	-	26,500	1,000,000	1,026,500
Totals	<u>\$ 2,828,804</u>	<u>\$ 2,533,746</u>	<u>\$ 5,362,550</u>	<u>\$ 11,205,000</u>	<u>\$ 16,567,550</u>

**\$6,595,000 - 1997 Hosp Grove Certificates of Participation
(1988 Refunding)**

Fiscal Year	Interest Due August 1	Interest Due February 1	Total Interest	Principal Due August 1	Total Annual Debt Service
2008-09	<u>\$ 17,273</u>	<u>\$ -</u>	<u>\$ 17,273</u>	<u>\$ 735,000</u>	<u>\$ 752,273</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements (Continued)

**\$11,080,000 - Encina Financing Joint Powers Authority
Installment Purchase Agreement**

Fiscal Year	Interest Due August 1	Interest Due February 1	Total Interest	Principal Due August 1	Total Annual Debt Service
2008-09	\$ 139,353	\$ 122,816	\$ 262,169	\$ 675,000	\$ 937,169
2009-10	122,816	105,191	228,007	705,000	933,007
2010-11	105,191	86,228	191,419	740,000	931,419
2011-12	86,228	66,241	152,469	780,000	932,469
2012-13	66,241	45,228	111,469	820,000	931,469
2013-14	45,228	23,191	68,419	860,000	928,419
2014-15	23,190	-	23,190	905,000	928,190
Totals	<u>\$ 588,247</u>	<u>\$ 448,895</u>	<u>\$ 1,037,142</u>	<u>\$ 5,485,000</u>	<u>\$ 6,522,142</u>

**\$2,331,489 - Carlsbad Municipal Water District
State Loan for Reclaimed Water Projects**

Fiscal Year	Interest Due November 30	Principal Due November 30	Total Annual Debt Service
2008-09	\$ 24,345	\$ 135,182	\$ 159,527
2009-10	20,425	139,102	159,527
2010-11	16,391	143,136	159,527
2011-12	12,240	147,287	159,527
2012-13	7,969	151,558	159,527
2013-14	2,682	123,222	125,904
Totals	<u>\$ 84,052</u>	<u>\$ 839,487</u>	<u>\$ 923,539</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements (Continued)

**\$9,694,504 - Carlsbad Municipal Water District
State Water Resources Control Board Loan**

Fiscal Year	Interest Due June 1	Principal Due June 1	Total Annual Debt Service
2008-09	\$ 221,747	\$ 425,113	\$ 646,860
2009-10	211,119	435,741	646,860
2010-11	200,225	446,634	646,859
2011-12	189,059	457,800	646,859
2012-13	177,614	469,245	646,859
2013-14	165,883	480,976	646,859
2014-15	153,859	493,000	646,859
2015-16	141,534	505,326	646,860
2016-17	128,901	517,959	646,860
2017-18	115,952	530,908	646,860
2018-19	102,679	544,180	646,859
2019-20	89,075	557,785	646,860
2020-21	75,130	571,729	646,859
2021-22	60,837	586,023	646,860
2022-23	46,186	600,673	646,859
2023-24	31,169	615,690	646,859
2024-25	15,777	631,082	646,859
Totals	<u>\$ 2,126,746</u>	<u>\$ 8,869,864</u>	<u>\$10,996,610</u>

**\$19,382,546 - Carlsbad Municipal Water District
State Water Resources Control Board Loan**

Fiscal Year	Interest Due April 1	Principal Due April 1	Total Annual Debt Service
2008-09	\$ 430,954	\$ 798,669	\$ 1,229,623
2009-10	413,021	816,602	1,229,623
2010-11	394,239	835,384	1,229,623
2011-12	375,025	854,598	1,229,623
2012-13	355,370	874,253	1,229,623
2013-14	335,262	894,361	1,229,623
2014-15	314,691	914,932	1,229,623
2015-16	293,648	935,975	1,229,623
2016-17	272,121	957,502	1,229,623
2017-18	250,098	979,525	1,229,623
2018-19	227,569	1,002,054	1,229,623
2019-20	204,522	1,025,101	1,229,623
2020-21	180,944	1,048,679	1,229,623
2021-22	156,825	1,072,798	1,229,623
2022-23	132,150	1,097,473	1,229,623
2023-24	106,908	1,122,715	1,229,623
2024-25	81,086	1,148,537	1,229,623
2025-26	54,670	1,174,953	1,229,623
2026-27	27,646	1,201,977	1,229,623
Totals	<u>\$ 4,606,749</u>	<u>\$ 18,756,088</u>	<u>\$23,362,837</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements (Continued)

**\$18,540,000 - Carlsbad Public Financing Authority
Carlsbad Municipal Golf Course Revenue Bonds**

Fiscal Year	Interest Due September 1	Interest Due March 1	Total Interest	Principal Due September 1	Total Annual Debt Service
2008-09	\$ 413,525	\$ 408,025	\$ 821,550	\$ 275,000	\$ 1,096,550
2009-10	408,025	402,225	810,250	290,000	1,100,250
2010-11	402,225	396,125	798,350	305,000	1,103,350
2011-12	396,125	389,625	785,750	325,000	1,110,750
2012-13	389,625	381,975	771,600	340,000	1,111,600
2013-14	381,975	373,875	755,850	360,000	1,115,850
2014-15	373,875	365,213	739,088	385,000	1,124,088
2015-16	365,212	356,100	721,312	405,000	1,126,312
2016-17	356,100	346,538	702,638	425,000	1,127,638
2017-18	346,537	335,288	681,825	450,000	1,131,825
2018-19	335,287	323,288	658,575	480,000	1,138,575
2019-20	323,287	310,538	633,825	510,000	1,143,825
2020-21	310,537	299,738	610,275	540,000	1,150,275
2021-22	299,737	288,438	588,175	565,000	1,153,175
2022-23	288,437	276,638	565,075	590,000	1,155,075
2023-24	276,637	262,688	539,325	620,000	1,159,325
2024-25	262,687	247,950	510,637	655,000	1,165,637
2025-26	247,950	232,425	480,375	690,000	1,170,375
2026-27	232,425	216,113	448,538	725,000	1,173,538
2027-28	216,112	199,013	415,125	760,000	1,175,125
2028-29	199,012	181,013	380,025	800,000	1,180,025
2029-30	181,012	162,113	343,125	840,000	1,183,125
2030-31	162,112	142,200	304,312	885,000	1,189,312
2031-32	142,200	121,275	263,475	930,000	1,193,475
2032-33	121,275	99,338	220,613	975,000	1,195,613
2033-34	99,337	76,275	175,612	1,025,000	1,200,612
2034-35	76,275	52,088	128,363	1,075,000	1,203,363
2035-36	52,087	26,663	78,750	1,130,000	1,208,750
2036-37	26,662	-	26,662	1,185,000	1,211,662
Totals	<u>\$ 7,686,292</u>	<u>\$ 7,272,783</u>	<u>\$14,959,075</u>	<u>\$ 18,540,000</u>	<u>\$ 33,499,075</u>

**\$1,170,745 - Carlsbad Public Financing Authority
Carlsbad Municipal Golf Course Leases**

Fiscal Year	Interest Due Monthly	Principal Due Monthly	Total Annual Debt Service
2008-09	44,325	221,926	266,251
2009-10	32,582	233,669	266,251
2010-11	20,208	246,043	266,251
2011-12	4,400	242,355	246,755
2012-13	146	13,809	13,955
Totals	<u>\$ 101,661</u>	<u>\$ 957,802</u>	<u>\$ 1,059,463</u>





Statistical Section

CITY OF CARLSBAD
Statistical Section

This section of the City of Carlsbad's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	120
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	131
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.	136
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	146
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	150

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in Fiscal Year 2001-02; schedules presenting government-wide information include information beginning in that year.

CITY OF CARLSBAD

**Net Assets by Component
Last Seven Fiscal Years
(dollars in thousands)**

	<u>2002 (1)</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 198,808	\$ 248,219	\$ 282,728	\$ 342,232
Restricted for:				
Capital assets	130,545	139,760	151,395	175,663
Affordable, low and moderate income housing	16,652	18,625	23,042	25,144
Habitat and agricultural mitigation management	5,980	6,840	6,893	7,528
Other purposes	4,260	6,019	20,451 (3)	35,173
Unrestricted	126,632	146,018	149,662	152,352
Total governmental activities net assets	<u>\$ 482,877</u>	<u>\$ 565,481</u>	<u>\$ 634,171</u>	<u>\$ 738,092</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 143,175	\$ 165,943	\$ 185,971	\$ 213,101
Restricted for:				
Capital assets	96,807	96,666	102,585	100,597
Unrestricted	16,261	22,509	15,072	11,670
Total business-type activities net assets	<u>\$ 256,243</u>	<u>\$ 285,118</u>	<u>\$ 303,628</u>	<u>\$ 325,368</u>
Total government				
Invested in capital assets, net of related debt	\$ 341,983	\$ 414,162	\$ 468,699	\$ 555,333
Restricted for:				
Capital assets	227,352	236,426	253,980	276,260
Affordable, low and moderate income housing	16,652	18,625	23,042	25,144
Habitat and agricultural mitigation management	5,980	6,840	6,893	7,528
Other purposes	4,260	6,019	20,451 (3)	35,173
Unrestricted	142,893	168,527	164,734	164,022
Total net assets	<u>\$ 739,120</u>	<u>\$ 850,599</u>	<u>\$ 937,799</u>	<u>\$ 1,063,460</u>

Source: City of Carlsbad Comprehensive Annual Financial Reports.

(1) The City first began calculating net asset balances in Fiscal Year 2001-02.

(2) The large increase in 2005-06 reflects the addition of infrastructure assets as per GASB34 requirements.

(3) Net Assets Restricted for Other Purposes increased significantly in Fiscal Years 2003-04 and 2004-05 to set aside funds for future golf course construction (\$15 million in 2003-04 and an additional \$15.3 million in 2004-05).

(4) The large decrease in 2005-06 reflects an additional \$30.3 million advance received from the General Fund by the Golf Course Fund.

(5) Beginning in Fiscal Year 2006-07, the City began reflecting funds set aside for the replacement of water and wastewater infrastructure as unrestricted net assets since these funds are not restricted per the GASB.

(6) Net assets for prior years were restated in Fiscal Year 2007-08, to reflect the application of GASB 45.

<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 604,117 (2)	\$ 645,995	\$ 713,026
172,474	178,559	189,694
27,453	30,356	33,888
7,042	7,670	6,949
5,131	4,849	5,297
197,672	232,701	250,835
<u>\$ 1,013,889</u>	<u>\$ 1,100,130</u>	<u>\$ 1,199,689 (6)</u>

\$ 234,560	\$ 253,645	\$ 292,684
107,841	47,164 (5)	44,738
(22,240) (4)	36,044 (5)	32,600
<u>\$ 320,161</u>	<u>\$ 336,853</u>	<u>\$ 370,022 (6)</u>

\$ 838,677	\$ 899,640	\$ 1,005,710
280,315	225,723	234,432
27,453	30,356	33,888
7,042	7,670	6,949
5,131	4,849	5,297
175,432	268,745	283,435
<u>\$ 1,334,050</u>	<u>\$ 1,436,983</u>	<u>\$ 1,569,711</u>

CITY OF CARLSBAD

**Changes in Net Assets
Last Seven Fiscal Years
(dollars in thousands)**

	2002	2003	2004	2005	2006
Expenses					
Governmental activities					
General government	\$ 7,600	\$ 8,518	\$ 8,604	\$ 11,353	\$ 15,382 (1)
Public safety	25,660	27,748	30,894	34,366	35,822
Community development	10,539	12,004	13,814	14,363	14,332
Community services	13,270	14,538	15,035	16,033	16,790
Public works	15,015	16,826	19,534	22,064	35,937
Interest and fiscal charges on long-term debt	1,673	1,048	996	1,014	1,036
Total governmental activities	<u>73,757</u>	<u>80,682</u>	<u>88,877</u>	<u>99,193</u>	<u>119,299</u>
Business-type activities					
Carlsbad Municipal Water District	19,311	19,261	20,950	21,422	24,124
Golf course	98	93	54	25	2,471
Wastewater	6,169	6,104	6,891	7,235	8,265
Solid waste	213	218	1,300	1,488	1,699
Total business-type activities	<u>25,791</u>	<u>25,676</u>	<u>29,195</u>	<u>30,170</u>	<u>36,559</u>
Total government	<u>\$ 99,548</u>	<u>\$ 106,358</u>	<u>\$ 118,072</u>	<u>\$ 129,363</u>	<u>\$ 155,858</u>
Program Revenues					
Governmental activities					
Charges for services:					
General government	\$ 582	\$ 750	\$ 571	\$ 926	\$ 945
Public safety	2,957	3,269	3,699	3,232	3,611
Community development	3,810	4,261	4,203	5,934	4,677
Community services	1,828	2,086	2,102	2,292	2,437
Public works	5,440	6,668	4,533	4,633	6,451
Operating grants and contributions	7,985	10,139	14,570	12,817	12,116
Capital grants and contributions	26,852	45,180	42,215	74,414	39,286
Total governmental activities	<u>49,454</u>	<u>72,353</u>	<u>71,893</u>	<u>104,248</u>	<u>69,523</u>
Business-type activities					
Charges for services:					
Carlsbad Municipal Water District	19,102	18,276	18,862	18,788	19,462
Golf course	-	-	-	-	-
Wastewater	5,919	6,286	6,203	6,378	6,801
Solid waste	505	868	1,673	2,348	1,893
Operating grants and contributions	577	1,267	1,504	508	718
Capital grants and contributions	16,155	19,539	17,377	17,122	11,213
Total business-type activities	<u>42,258</u>	<u>46,236</u>	<u>45,619</u>	<u>45,144</u>	<u>40,087</u>
Total government	<u>\$ 91,712</u>	<u>\$ 118,589</u>	<u>\$ 117,512</u>	<u>\$ 149,392</u>	<u>\$ 109,610</u>
Net (Expense)/Revenue:					
Governmental activities	\$ (24,303)	\$ (8,329)	\$ (16,984)	\$ 5,055	\$ (49,776)
Business-type activities	16,467	20,560	16,424	14,974	3,528
Total government net expense	<u>\$ (7,836)</u>	<u>\$ 12,231</u>	<u>\$ (560)</u>	<u>\$ 20,029</u>	<u>\$ (46,248)</u>

<u>2007</u>	<u>2008</u>
\$ 12,273	\$ 14,537
38,327	42,796
13,860	15,697
17,913	18,938
37,278	35,971
<u>688</u>	<u>666</u>
<u>120,339</u>	<u>128,605</u>

40,383 (2)	28,796
200	7,347
9,590	10,400
<u>1,901</u>	<u>2,588</u>
<u>52,074</u>	<u>49,131</u>
<u>\$ 172,413</u>	<u>\$ 177,736</u>

\$ 1,194	\$ 2,698
4,170	4,578
4,158	3,191
2,639	2,803
5,083	8,522
17,597 (3)	11,349
<u>49,254 (4)</u>	<u>73,708</u>
<u>84,095</u>	<u>106,849</u>

22,186	22,894
-	5,704
7,507	8,151
1,966	2,195
2,296	1,300
<u>25,053 (4)</u>	<u>30,223</u>
<u>59,008</u>	<u>70,467</u>
<u>\$ 143,103</u>	<u>\$ 177,316</u>

\$ (36,244)	\$ (21,756)
<u>6,934</u>	<u>21,336</u>
<u>\$ (29,310)</u>	<u>\$ (420)</u>

(Continued)

CITY OF CARLSBAD

Changes in Net Assets (Continued)
Last Seven Fiscal Years
(dollars in thousands)

	2002	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets					
Governmental activities					
Taxes:					
Property taxes	\$ 28,495	\$ 31,411	\$ 33,949	\$ 41,479 (5)	\$ 43,936
Sales and use taxes	21,004	25,767	24,578	24,759	25,429
Transient occupancy taxes	8,533	8,387	8,813	10,072	11,513
Franchise taxes	7,495	3,730	5,027	5,683	5,429
Business license taxes	2,440	2,305	2,872	2,890	3,040
Real property transfer taxes	1,193	1,127	1,587	1,646	1,906
Vehicle license fees	4,675	5,067	4,125	2,136 (5)	587
Income from property and investments	18,095	13,347	3,124	9,910	11,682
Other general revenues	762	390	637	441	650
Transfers	17	(600)	963	(150)	(315)
Total governmental activities	<u>92,709</u>	<u>90,931</u>	<u>85,675</u>	<u>98,866</u>	<u>103,857</u>
Business type activities					
Property taxes	1,516	1,672	1,842	2,025	2,257
Income from property and investments	7,010	5,836	1,193	4,162	3,538
Other general revenues	804	208	14	579	56
Transfers	(17)	600	(963)	-	315
Total business-type activities	<u>9,313</u>	<u>8,316</u>	<u>2,086</u>	<u>6,766</u>	<u>6,166</u>
Total government	<u>\$ 102,022</u>	<u>\$ 99,247</u>	<u>\$ 87,761</u>	<u>\$ 105,632</u>	<u>\$ 110,023</u>
Change in Net Assets					
Governmental activities	\$ 68,406	\$ 82,602	\$ 68,691	\$ 103,921	\$ 54,081
Business-type activities	25,780	28,876	18,510	21,740	9,694
Total government	<u>\$ 94,186</u>	<u>\$ 111,478</u>	<u>\$ 87,201</u>	<u>\$ 125,661</u>	<u>\$ 63,775</u>

Source: City of Carlsbad Comprehensive Annual Financial Report.

Note: Data in this table is available from the date the City implemented GASB 34 (Fiscal Year 2001-02).

(1) In Fiscal Year 2005-06, the City incurred clean-up and repair costs related to the winter storms of 2005.

(2) In Fiscal Year 2006-07, the Water Enterprise settled a lawsuit regarding a landslide at the Marbella Condominiums for \$11.3 million and the Enterprise transferred funds to the Self Insured Benefits Fund for the proposed funding of retiree healthcare costs as required under GASB 45.

(3) The large increase in Fiscal Year 2006-07 reflects a \$6.3 million reimbursement from the Federal Highway Administration for reimbursement of the 2005 winter storm damage in the City.

(4) The large increase in Fiscal Year 2006-07 reflects the recording of infrastructure assets acquired by the City for development at Bressi Ranch, the Oaks South, the Ridge and the Greens communities.

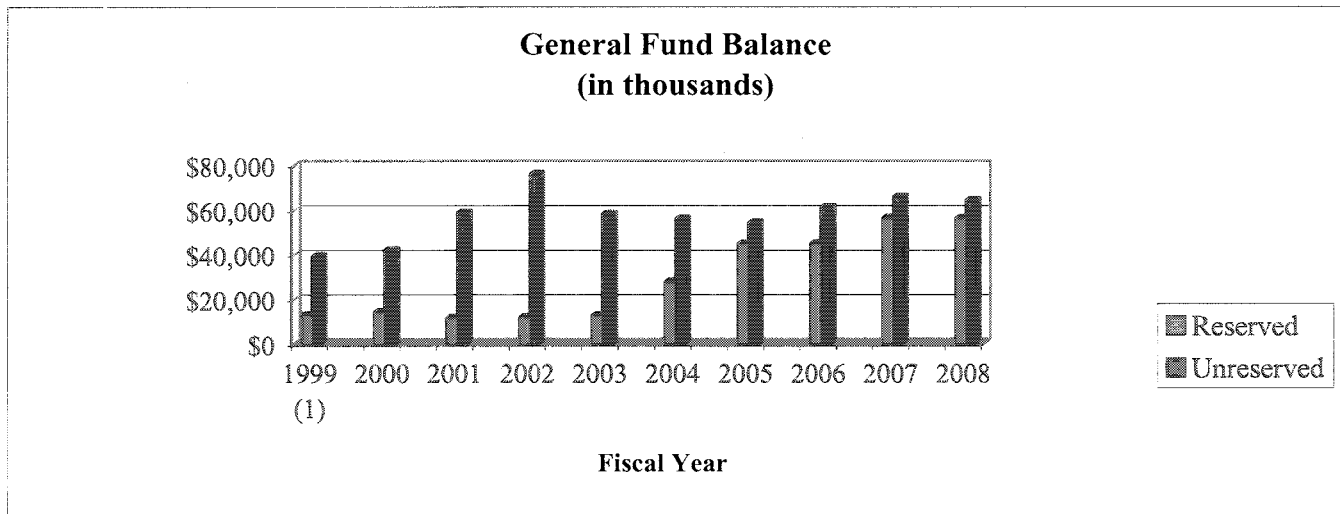
(5) Beginning in Fiscal Year 2004-05, the City began receiving additional property tax revenue in-lieu of reduced vehicle license fees.

<u>2007</u>	<u>2008</u>
\$ 49,284	\$ 52,705
27,445	27,031
12,929	14,277
5,346	4,634
3,056	3,328
1,262	951
608	450
21,455	24,955
700	513
400	(2,634)
<u>122,485</u>	<u>126,210</u>
2,504	2,711
7,621	8,030
34	954
<u>(400)</u>	<u>2,634</u>
<u>9,759</u>	<u>14,329</u>
<u>\$ 132,244</u>	<u>\$ 140,539</u>
\$ 86,241	\$ 104,454
16,693	35,665
<u>\$ 102,934</u>	<u>\$ 140,119</u>

CITY OF CARLSBAD

Fund Balances of Governmental Funds Last Ten Fiscal Years (dollars in thousands)

	1999 (1)	2000	2001	2002	2003
General Fund					
Reserved	\$ 12,893	\$ 14,324	\$ 11,746	\$ 12,006	\$ 12,794
Unreserved	39,221	42,179	58,857	76,149	58,343
Total General Fund	<u>\$ 52,114</u>	<u>\$ 56,503</u>	<u>\$ 70,603</u>	<u>\$ 88,155</u>	<u>\$ 71,137</u>
All Other Governmental Funds					
Reserved	\$ 30,938	\$ 27,658	\$ 36,030	\$ 37,776	\$ 44,265
Unreserved, reported in:					
Special revenue funds	18,639	20,458	19,709	20,542	21,011
Debt service funds (1)	291	(11,092)	(11,586)	(10,371)	(10,449)
Capital project funds	102,038	108,866	131,382	128,869	171,227
Total all other governmental funds	<u>\$ 151,906</u>	<u>\$ 145,890</u>	<u>\$ 175,535</u>	<u>\$ 176,816</u>	<u>\$ 226,054</u>



Source: City of Carlsbad Comprehensive Annual Financial Report.

- (1) Effective July 1, 1999, the City changed the manner in which it accounted for advances from the City to the Redevelopment Agency, and began recording such advances as a liability on the balance sheet of the funds obligated for the repayment.
- (2) A \$35 million transfer was made in Fiscal Year 2003 from the General Fund to the General Capital Construction Fund to assist in the construction of four large projects.
- (3) \$15 million was reserved at the end of the 2005 Fiscal Year for future advances to the Golf Course Fund.
- (4) \$30.3 million was reserved at the end of the 2006 Fiscal Year for future advances to the Golf Course Fund.
- (5) A \$9.7 million transfer was made in Fiscal Year 2007 from the General Fund to the Golf Course Fund to assist in the construction of the City's new municipal golf course.
- (6) \$18.8 million in transfers were made in Fiscal Year 2008 from the General Fund to the Infrastructure Replacement Fund and the General Capital Construction Fund for future capital projects.

	<u>2004</u>		<u>2005</u>		<u>2006</u>		<u>2007</u>		<u>2008</u>
	\$ 27,917 (3)		\$ 44,996 (4)		\$ 45,131		\$ 56,505 (5)		\$ 56,479
(2)	<u>56,141</u>		<u>54,400</u>		<u>61,494</u>		<u>66,084</u>		<u>64,494</u>
	<u>\$ 84,058</u>		<u>\$ 99,396</u>		<u>\$ 106,625</u>		<u>\$ 122,589</u>		<u>\$ 120,973</u>
	\$ 54,414		\$ 49,583		\$ 38,000		\$ 44,352		\$ 38,963
	29,841		30,031		30,024		32,485		36,277
	(9,789)		(11,317)		(11,681)		(12,423)		(12,095)
	<u>171,194</u>		<u>206,711</u>		<u>221,393</u>		<u>231,071</u>		<u>268,915</u> (6)
	<u>\$ 245,660</u>		<u>\$ 275,008</u>		<u>\$ 277,736</u>		<u>\$ 295,485</u>		<u>\$ 332,060</u>

CITY OF CARLSBAD

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(dollars in thousands)**

	1999	2000	2001	2002	2003
Revenues:					
Taxes	\$ 57,508	\$ 62,268	\$ 70,147	\$ 71,528	\$ 74,156
Intergovernmental	17,802	14,094	14,286	14,267	19,775
Licenses and permits	3,827	3,321	3,409	1,998	2,043
Charges for services	6,805	5,749	6,427	7,751	10,059
Fines and forfeitures	936	840	889	947	923
Income from property and investments	8,925	10,496	20,385	18,700	14,802
Contributions from property owners	45,763	14,733	15,982	11,251	14,547
Donations	350	561	312	210	149
Miscellaneous	1,544	1,183	2,260	2,386	2,349
Total revenues	<u>143,460</u>	<u>113,245</u>	<u>134,097</u>	<u>129,038</u>	<u>138,803</u>
Expenditures:					
Current:					
General government	6,784	7,383	9,022	8,415	8,805
Less: Interdepartmental charges	(1,934)	(2,007)	(2,148)	(2,284)	(2,815)
Public safety	21,928	21,799	23,627	25,598	26,798
Community development	8,636	11,538	9,352	10,316	11,799
Community services	7,541	9,088	11,571	12,449	13,374
Public works	12,690	13,823	14,402	15,404	18,177
Capital outlay	52,107	39,543	22,067	37,503	26,410
Debt service:					
Principal	825	821	1,029	1,133	1,672
Interest and fiscal charges	1,645	1,660	1,814	1,694	1,628
Total expenditures	<u>110,222</u>	<u>103,648</u>	<u>90,736</u>	<u>110,228</u>	<u>105,848</u>
Excess (deficiency) of revenues over (under) expenditures	33,238	9,597	43,361	18,810	32,955
Other financing sources (uses):					
Proceeds from the sale of property	-	-	-	-	-
Proceeds of advances	589	-	-	-	-
Proceeds of debt	-	332	91	6	-
Transfers in	2,603	15,533	9,544	11,833	47,846
Transfers out	(2,603)	(15,533)	(9,651)	(11,816)	(48,581)
Total other financing sources (uses)	<u>589</u>	<u>332</u>	<u>(16)</u>	<u>23</u>	<u>(735)</u>
Net change in fund balances	<u>\$ 33,827</u>	<u>\$ 9,929</u>	<u>\$ 43,345</u>	<u>\$ 18,833</u>	<u>\$ 32,220</u>
Debt service as percentage of noncapital expenditures (1.2)				3.86%	4.17%

Source: City of Carlsbad Comprehensive Annual Financial Report.

(1) Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the Government-wide Statement of Net Assets) and expenditures for capitalized assets included within the functional expenditure categories.

(2) Information not available for years prior to GASB 34 implementation.

	2004	2005	2006	2007	2008
\$	79,533	\$ 84,065	\$ 94,862	\$ 101,196	\$ 105,724
	22,506	24,245	13,027	25,097	19,565
	2,329	3,393	2,504	2,094	1,991
	9,899	10,433	11,038	10,937	11,089
	1,092	1,084	1,178	1,387	1,500
	3,902	10,741	10,387	22,270	24,163
	23,682	49,446	25,365	10,311	23,850
	141	164	130	173	281
	1,543	1,107	2,077	950	932
	<u>144,627</u>	<u>184,678</u>	<u>160,568</u>	<u>174,415</u>	<u>189,095</u>

	9,745	12,113	16,311	18,013	14,433
	(2,735)	(2,700)	(2,639)	(2,151)	(2,287)
	30,799	33,819	36,365	39,832	43,719
	13,644	14,319	14,300	13,998	15,726
	13,915	14,744	15,637	16,667	17,136
	18,045	18,737	20,327	22,481	24,355
	26,406	46,420	47,032	30,765	39,010
	1,214	1,040	1,037	1,091	1,140
	<u>1,466</u>	<u>1,501</u>	<u>1,599</u>	<u>1,333</u>	<u>1,347</u>
	<u>112,499</u>	<u>139,993</u>	<u>149,969</u>	<u>142,029</u>	<u>154,579</u>

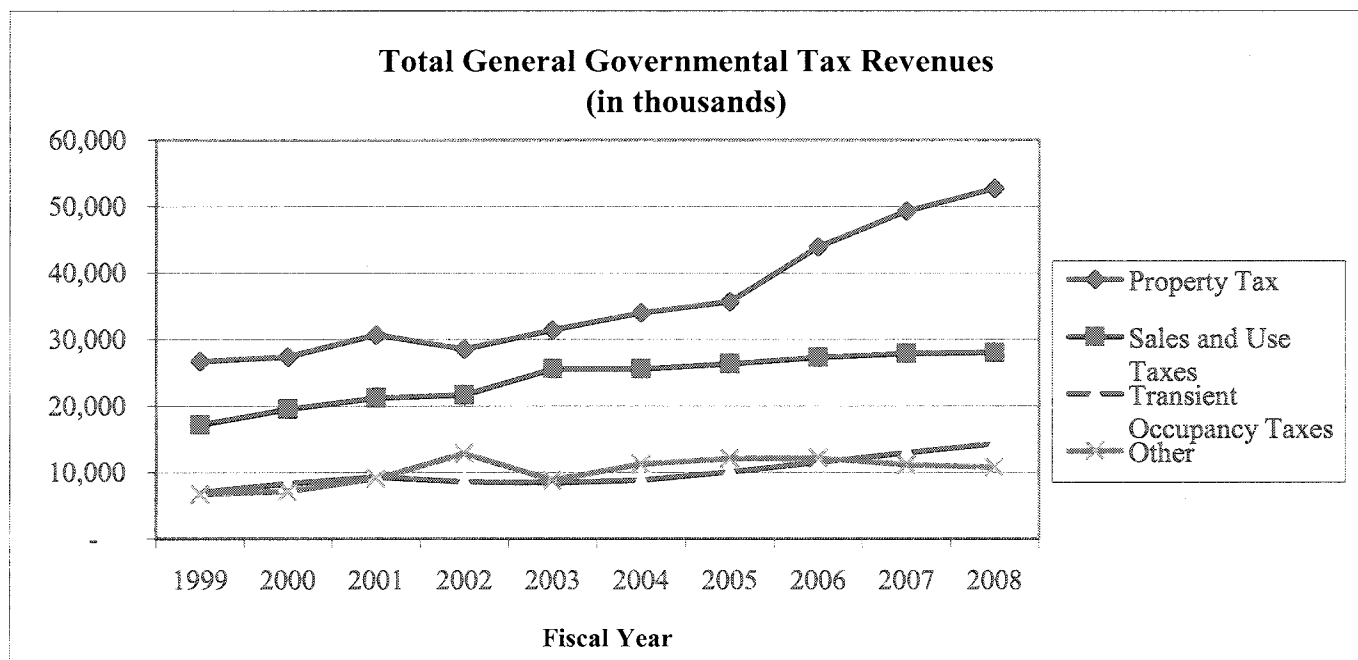
	32,128	44,685	10,599	32,386	34,516
	-	-	-	1,364	-
	-	-	-	-	-
	-	-	-	-	-
	8,729	10,228	11,685	9,723	20,390
	<u>(8,329)</u>	<u>(10,228)</u>	<u>(12,334)</u>	<u>(9,760)</u>	<u>(19,948)</u>
	<u>400</u>	<u>-</u>	<u>(649)</u>	<u>1,327</u>	<u>442</u>
\$	<u>32,528</u>	<u>\$ 44,685</u>	<u>\$ 9,950</u>	<u>\$ 33,713</u>	<u>\$ 34,958</u>

	3.10%	2.71%	2.41%	2.01%	2.08%
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CITY OF CARLSBAD

General Governmental Tax Revenues by Source Last Ten Fiscal Years (in thousands)

Fiscal Year	Property Tax *	Sales and Use Taxes	Transient Occupancy Taxes	Franchise Taxes	Business License Taxes	Real Property Transfer Taxes	Misc. Taxes	Total Tax Revenue
1999	\$ 26,688	\$ 17,129	\$ 7,010	\$ 1,954	\$ 1,738	\$ 1,081	\$ 1,908	\$ 57,508
2000	27,335	19,493	8,333	2,592	1,864	993	1,658	62,268
2001	30,656	21,197	9,269	3,916	2,300	1,095	1,714	70,147
2002	28,512	21,661	8,533 (4)	7,495 (5)	2,440	1,193	1,694	71,528
2003	31,412	25,543 (3)	8,387	3,730	2,305	1,127	1,652	74,156
2004	33,949	25,571	8,814	5,027	2,872 (2)	1,587	1,713	79,533
2005	35,650 (1)	26,331	10,072	5,683	2,890	1,646	1,793	84,065
2006	43,936	27,294	11,513	5,429	3,040	1,906	1,744	94,862
2007	49,284	27,889	12,929	5,346	3,056	1,262 (6)	1,430	101,196
2008	52,705	28,012	14,277	4,634	3,328	951	1,817	105,724
Change 1999-2008	97%	64%	104%	137%	91%	-12%	-5%	84%



Source: City of Carlsbad.

* Includes Vehicle License Fees (VLF) in lieu, property tax increment, low/moderate housing, set aside taxes and CFD#1 special taxes.

(1) Vehicle License Fee revenue began decreasing in 2004-05 because the City began receiving property taxes in lieu of a portion of the VLF.

(2) This reflects the results from hiring a company to assist in the identification of unlicensed businesses, and the recovery of non-reported and under-reported business license taxes.

(3) The City modified the methodology used in accruing sales tax revenue for the year, in accordance with Generally Accepted Accounting Principles (GAAP).

(4) The drop in transient occupancy tax was the result of the impacts from September 11, 2001 on tourism.

(5) This was the result of higher natural gas prices paid by consumers in calendar year 2001.

(6) Reflects the beginning of the downturn in the housing market.

CITY OF CARLSBAD

**Water and Wastewater Rates
Last Ten Fiscal Years**

Fiscal Year	Water		Wastewater
	Monthly Delivery Charge	Base Price Per Unit (1)	Monthly Base Rate
1999	\$9.25	\$1.70	\$15.00
2000	9.25	1.60	15.00
2001	9.25	1.60	13.00
2002	9.25	1.60	13.00
2003	9.25	1.60	13.00
2004	9.25	1.60	13.00
2005	9.25	1.60	13.00
2006	9.25	1.60	13.50
2007	9.75	1.68	14.65
2008	12.12	1.76	16.20

Source: City of Carlsbad.

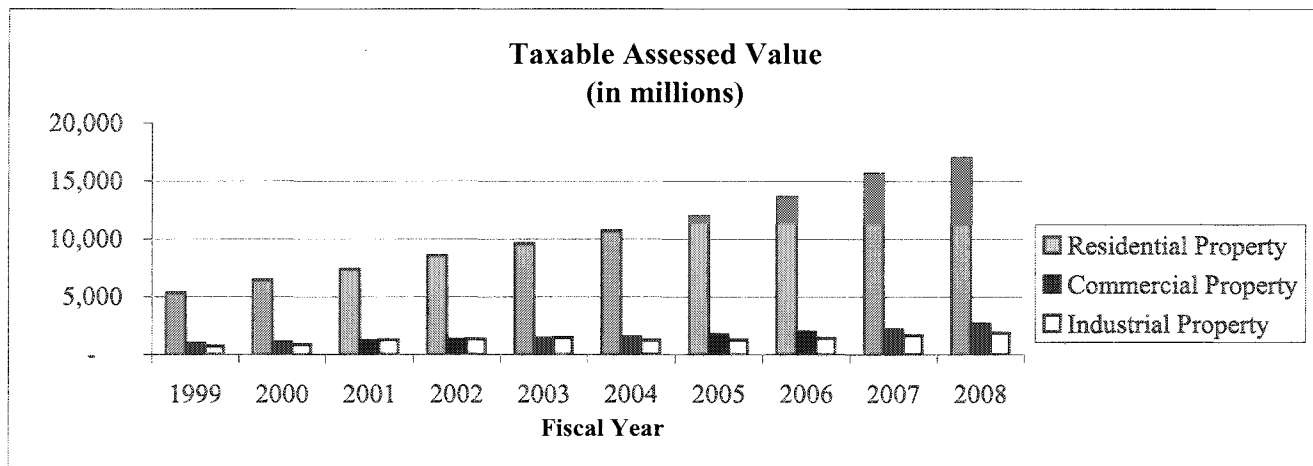
Note: Rates shown are for a 5/8" meter, which is the standard household meter size.

(1) One unit of water equals 748 gallons.

CITY OF CARLSBAD

Assessed Value of Taxable Property Last Ten Fiscal Years (dollars in millions)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Exemptions and Other Taxable Property (1)	Net Assessed Valuation	Total Property Tax Revenue (2)	Total Direct Tax Rate (3)
1999	\$ 5,315	\$ 954	\$ 713	\$ 410	\$ 7,392	\$ 14.196	0.192%
2000	6,418	1,036	854	583	8,891	16.762	0.189%
2001	7,367	1,192	1,282	649	10,490	19.658	0.187%
2002	8,543	1,310	1,341	657	11,851	22.286	0.188%
2003	9,612	1,413	1,469	516	13,010	24.974	0.192%
2004	10,700	1,516	1,231	856	14,303	26.960	0.188%
2005	11,984	1,749	1,266	742	15,741	33.330 (4)	0.212%
2006	13,619	1,962	1,398	729	17,708	38.041	0.215%
2007	15,650	2,181	1,660	569	20,060	43.651	0.218%
2008	16,988	2,635	1,883	534	22,040	47.197	0.214%



Source: County of San Diego, California Auditor and Controller.

Notes: Information about estimated actual value of property is not available; the assessed value is based on the most recent sales value and includes secured property only.

(1) Other property includes farm, rural, institutional, recreational, state secured property, unsecured property, personal property and fixtures.

(2) The total direct tax rate was calculated by dividing the total property tax revenue by the total taxable value.

(3) Property tax revenues do not include special assessments, redevelopment tax increment or community facilities district revenues.

(4) In Fiscal Year 2004-05, there was an increase in the property taxes received, offset by a decrease in Vehicle License Fees (VLF).

CITY OF CARLSBAD

Principal Property Taxpayers
Current Year and Nine Years Ago

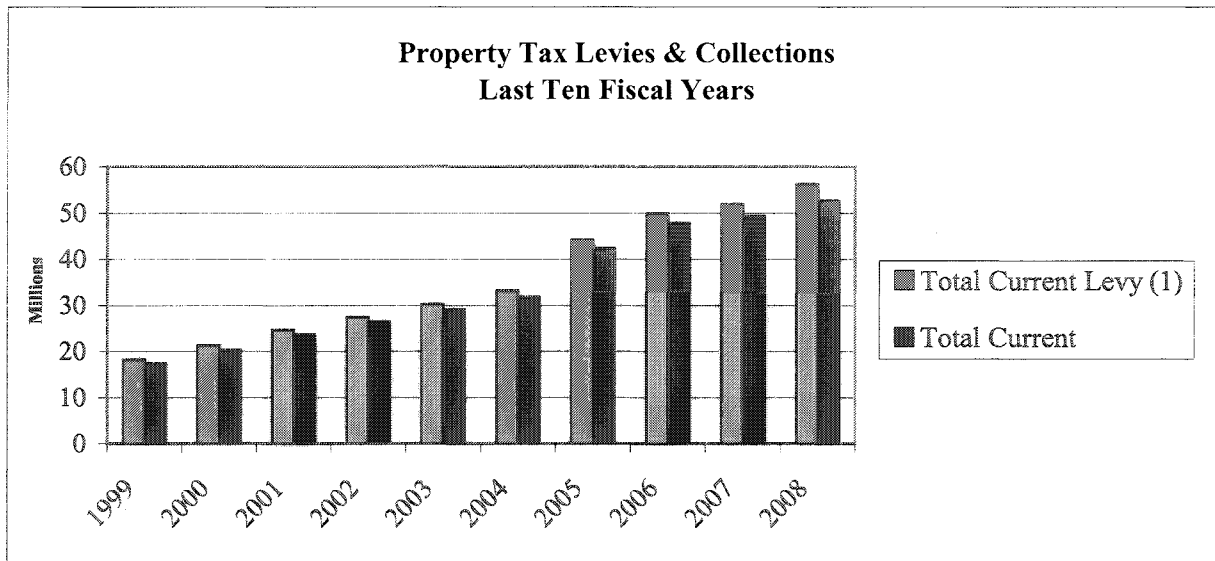
	2008			1999		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value
Continuing Life Communities LLC	\$ 160,479,289	1	0.73%	-	-	-
Aviara Resort Associates LLC	132,196,556	2	0.60%	\$ 144,818,525	3	1.96%
KSL La Costa Resort Corp.	126,131,849	3	0.57%	182,345,611	2	2.47%
Legoland California, Inc.	116,351,777	4	0.53%	135,708,865	4	1.84%
Ruby's Diner - Carlsbad	109,602,750	5	0.50%	-	-	-
Callaway Golf Company	100,856,885	6	0.46%	108,670,798	5	1.47%
Borders, Inc.	81,002,094	7	0.37%	-	-	-
PPC Cascade LLC	79,307,037	8	0.36%	-	-	-
H.G. Fenton Company	75,411,647	9	0.34%	-	-	-
Pulte Home Corp.	62,467,200	10	0.28%	-	-	-
San Diego Gas & Electric Co.	-	-	-	249,463,675	1	3.37%
Real Estate Collateral Mgmt. Co.	-	-	-	103,992,732	6	1.41%
Prentiss Properties Acquisition	-	-	-	60,715,971	7	0.82%
Villages of La Costa	-	-	-	51,102,000	8	0.69%
Air Products & Chemicals, Inc.	-	-	-	46,124,487	9	0.62%
Puritan-Bennett Corporation	-	-	-	39,013,804	10	0.53%
Total	<u>\$ 1,043,807,084</u>		<u>4.74%</u>	<u>\$ 1,121,956,468</u>		<u>15.18%</u>
Net assessed valuation	<u>\$ 22,040,017,749</u>			<u>\$ 7,391,938,713</u>		

Source: County of San Diego Office of the Auditor and Controller, County Assessor, and MuniServices, LLC

CITY OF CARLSBAD

**Property Tax Levies and Collections
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Current Levy (1)</u>	<u>Total Current Collections (2)</u>	<u>% of Levy Collected</u>
1999	18,159,348	17,303,313	95.30%
2000	21,153,690	20,176,885	95.40%
2001	24,597,515	23,572,005	95.80%
2002	27,351,054	26,360,056	96.40%
2003	30,178,314	29,018,421	96.20%
2004	33,117,599	31,753,020	95.90%
2005	44,057,622 (3)	42,251,018	95.90%
2006	49,806,112	47,723,226	95.80%
2007	51,854,596	49,219,793	94.90%
2008	56,098,718	52,622,619	93.80%



Source: County of San Diego Office of the Auditor and Controller.

(1) Includes real property transfer taxes, homeowner exemptions and Proposition 13 public safety sales taxes.

(2) Total current collections includes prior year delinquencies and adjustments; delinquency collections by year are not available.

(3) Starting in Fiscal Year 2004-05, the City received additional property tax payments in lieu of vehicle license fees.



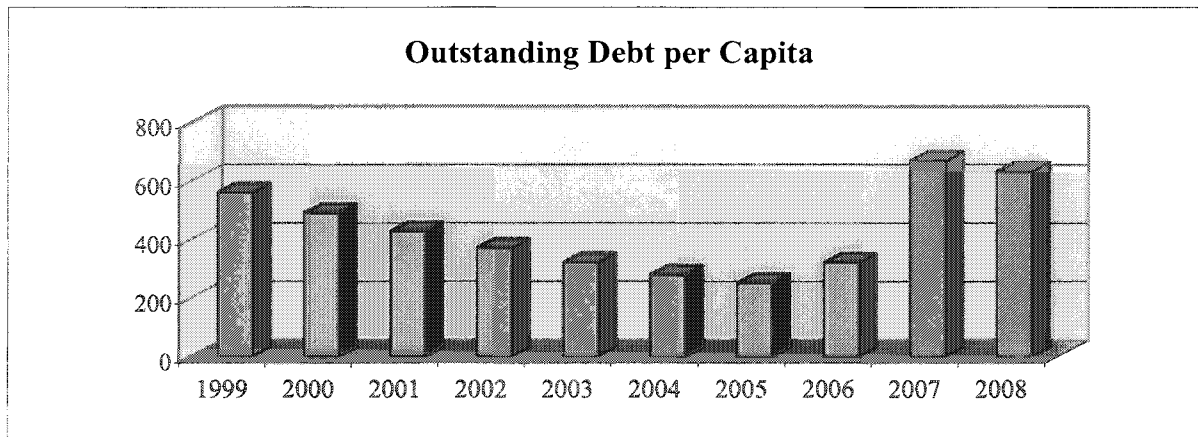
CITY OF CARLSBAD

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands except per capita)

Fiscal Year	Governmental Activities			
	Bonds / Special Debt	Certificates of Participation	Capital Leases	Loans Payable
1999	\$ 14,460	\$ 6,075	\$ 633	\$ 750
2000	14,170	5,570	904	620
2001	13,865	5,055	888	480
2002	13,540	4,515	791	330
2003	13,200	3,950	179	170
2004	12,840	3,360	79	-
2005	12,460	2,740	7	-
2006	12,065	2,105	1	-
2007	11,645	1,435	-	-
2008	11,205	735	-	-



Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) During Fiscal Year 2006-07, Carlsbad Municipal Golf Course Revenue Bonds were issued for \$18.5 million.

(2) The State Water Resources Control Board issued low interest loans for the Carlsbad Water Recycling Facility for \$9.7 million during Fiscal Year 2005-06, and \$19.4 million in Fiscal Year 2006-07.

(3) Percentage of personal income is calculated using personal income for the prior year.

Sources: MuniServices, LLC, California Department of Finance, US Census Data.

Business-Type Activities							Percentage of Personal Income (3)	Per Capita
Accrued Assessments	Bonds / Special Debt (1)	Certificates of Participation	Installment Purchase Agreements	Loan Payable (2)	Capital Leases	Total		
\$ 1,252	\$ -	\$ 5,405	\$ 10,250	\$ 1,897	\$ -	\$ 40,722	1.03%	\$ 558.60
951	-	4,410	9,810	1,792	-	38,227	0.77%	488.54
789	-	3,370	9,350	1,705	-	35,502	0.66%	426.49
621	-	2,295	8,870	1,574	-	32,536	0.58%	369.22
443	-	1,175	8,375	1,460	-	28,952	0.51%	319.41
257	-	-	7,855	1,343	-	25,734	0.45%	277.24
-	-	-	7,305	1,223	-	23,735	0.40%	250.12
-	-	-	6,730	10,592	-	31,493	0.50%	319.27
-	18,540	-	6,125	29,096	699	67,540	1.04%	666.49
-	18,540	-	5,485	28,465	958	65,388	0.95%	629.88



CITY OF CARLSBAD

Schedule of Direct and Overlapping Bonded Debt Current Fiscal Year

Fiscal Year 2007-08 Assessed Valuation:	\$ 22,366,861,213
Redevelopment Incremental Valuation:	326,843,464
Adjusted Assessed Valuation:	<u>\$ 22,040,017,749</u>

	Total Debt 06/30/08	Percent Applicable (1)	City's Share of Debt 6/30/08
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 327,215,000	1.26%	\$ 4,116,365
Palomar Community College District	158,000,000	3.12%	4,928,020
Carlsbad Unified School District	56,924,271	97.62%	55,567,196
Carlsbad Unified School District CFD No. 1	7,000,000	100.00%	7,000,000
Oceanside Unified School District	118,450,000	0.01%	5,923
Vista Unified School District	138,209,882	0.46%	633,001
Encinitas Union School District	18,925,496	31.50%	5,961,531
San Marcos Unified School District School Facility Improvement District	16,128,019	38.47%	6,205,255
San Marcos Unified School District CFD No. 4	24,380,000	24.40%	5,949,451
San Marcos Unified School District CFD No. 5	24,550,000	100.00%	24,550,000
San Dieguito Union HS District CFD No. 94-1	266,492	100.00%	266,492
San Dieguito Union HS District CFD No. 94-2	19,489,750	98.08%	19,115,547
San Dieguito Union HS District CFD No. 95-2	803,455	12.04%	96,696
San Dieguito Union High School District Combined CFD	48,440,000	30.40%	14,725,276
Palomar Pomerado Hospital District	309,443,319	2.16%	6,683,976
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	17,965,000	21.69%	3,895,890
City of Carlsbad CFD No. 3, I.A. No. 1	29,490,000	100.00%	29,490,000
City of Carlsbad 1915 Act Bonds	68,125,000	100.00%	68,125,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$ 1,383,805,684</u>		<u>\$ 257,315,619</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 357,645,000	6.48%	\$ 23,157,514
San Diego County Pension Obligations	1,053,187,916	6.48%	68,193,918
San Diego City Superintendent of Schools General Fund Obligations	17,267,500	6.48%	1,118,071
Mira Costa Community College District Certificates of Participation	4,240,000	26.96%	1,143,231
Palomar Community College District General Fund Obligations	7,690,000	3.12%	239,851
Carlsbad Unified School District General Fund Obligations	54,285,000	97.62%	52,990,846
San Marcos Unified School District General Fund Obligations	5,435,000	33.37%	1,813,877
Encinitas Union School District Certificates of Participation	900,000	31.50%	283,500
Other School District Certificates of Participation	8,185,000	Various	32,097
City of Carlsbad General Fund Obligations	<u>735,000</u>	<u>100.00%</u>	<u>735,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT	<u>\$ 1,509,570,416</u>		<u>\$ 149,707,905</u>
COMBINED TOTAL DEBT	<u>\$ 2,893,376,100</u>		<u>\$ 407,023,524 (2)</u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Fiscal Year 2007-08 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.15%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$735,000) 0.003%

Combined Total Debt 1.85%

Source: MuniServices, LLC and County of San Diego Office of the Auditor and Controller

CITY OF CARLSBAD

**Direct and Overlapping Debt
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Diego County Water Authority	\$ 0.054	\$ 0.040	\$ 0.028
Metropolitan Water District	0.691	0.611	0.545
Palomar Community College District	-	-	-
Carlsbad Unified School District	3.502	2.909	2.472
Carlsbad Unified School District Lease Tax Obligations	0.729	0.186	0.187
Carlsbad Unified School District CFD No. 1	1.638	1.315	1.073
Oceanside Unified School District	-	-	-
Vista Unified School District	-	-	-
Encinitas Union School District	0.941	0.874	0.756
Encinitas Union School District Lease Tax Obligations	0.174	0.131	0.138
San Marcos Unified School District School Fac. Improv. Dist.	0.785	0.682	0.615
Tri-City Hospital District	-	-	-
Palomar Pomerado Hospital District	-	-	-
Leucadia County Water District and I.D. No. 1	-	-	-
Vallecitos Water District and I.D. No. 6	-	-	-
San Marcos Unified School District CFD No. 4	-	-	-
San Marcos Unified School District CFD No. 5	1.752	1.457	1.216
San Dieguito Union HS District CFD No. 1	2.581	1.319	-
San Dieguito Union HS District CFD No. 94-1	-	-	0.029
San Dieguito Union HS District CFD No. 94-2	-	-	2.051
San Dieguito Union HS District CFD No. 95-2	-	-	0.032
San Dieguito Union HS District combined CFD	-	-	-
Olivenhain Municipal Water District, I.D. No. 1	0.011	0.005	-
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.611	0.553	0.465
City of Carlsbad CFD No. 3, I.A. No. 1	-	-	-
City of Carlsbad 1915 Act Bonds	6.467	4.908	3.959
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
San Diego County General Fund Obligations	\$ 3.584	\$ 3.524	\$ 3.016
San Diego County Pension Obligations	2.569	2.149	1.801
San Diego City Superintendent of Schools General Fund Obligations	0.016	0.014	0.012
Mira Costa Community College District Certificates of Participation	0.246	0.207	0.176
Palomar Community College District General Fund Obligations	-	-	-
Carlsbad Unified School District General Fund Obligations	1.514	1.460	5.493
San Marcos Unified School District General Fund Obligations	-	-	-
San Marcos Unified School District Certificates of Participation	0.075	0.050	0.031
Encinitas Union School District Certificates of Participation	0.212	0.166	0.063
Other School District Certificates of Participation	0.028	0.021	0.018
City of Carlsbad General Fund Obligations	0.822	0.626	0.482

Source: California Municipal Statistics, Inc. & MuniServices, LLC

2002		2003		2004		2005		2006		2007		2008	
\$	0.017	\$	0.008	\$	-	\$	-	\$	-	\$	-	\$	-
	0.481		0.398		0.368		0.319		0.269		0.224		0.187
	-		-		-		-		-		0.239		0.224
	2.099		1.832		1.594		1.342		1.102		0.897		2.521
	0.122		0.070		0.033		-		-		-		-
	0.909		0.789		0.678		0.578		0.477		0.386		0.318
	-		-		-		-		-		-		-
	0.005		0.004		0.005		0.005		0.007		0.011		0.029
	0.678		0.621		0.530		0.471		0.389		0.322		0.270
	0.050		0.020		-		-		-		-		-
	0.629		0.544		0.524		0.448		0.383		0.327		0.282
	-		-		-		-		-		-		-
	-		-		-		-		0.100		0.080		0.303
	-		-		-		-		-		-		-
	-		-		-		-		-		-		-
	-		-		-		-		0.187		0.302		0.270
	1.059		1.909		1.886		1.677		1.457		1.255		1.114
	-		-		-		-		-		-		-
	0.025		0.023		0.020		0.018		0.016		0.014		0.012
	1.816		1.628		1.456		1.298		1.128		0.975		0.867
	0.028		0.025		0.023		0.020		0.006		0.005		0.004
	-		-		0.973		0.884		0.832		0.734		0.668
	-		-		-		-		-		-		-
	0.400		0.357		0.314		0.279		0.242		0.203		0.177
	-		-		-		-		0.649		0.573		1.338
	3.287		2.809		3.145		4.848		4.143		3.553		3.091
\$	2.701	\$	2.281	\$	1.881	\$	1.855	\$	1.385	\$	1.125	\$	1.051
	1.470		3.951		5.528		5.008		4.376		4.306		3.094
	0.011		0.010		0.009		0.051		0.044		0.058		0.051
	0.145		0.121		0.098		0.085		0.072		0.061		0.052
	-		-		-		-		0.013		0.012		0.011
	4.843		4.392		3.961		3.557		3.106		2.694		2.404
	-		-		0.143		0.122		0.106		0.093		0.082
	0.015		-		-		-		-		-		-
	0.078		0.045		0.037		0.032		0.024		0.018		0.013
	0.022		0.021		0.018		0.015		0.001		0.001		0.001
	0.381		0.304		0.235		0.174		0.119		0.072		0.033

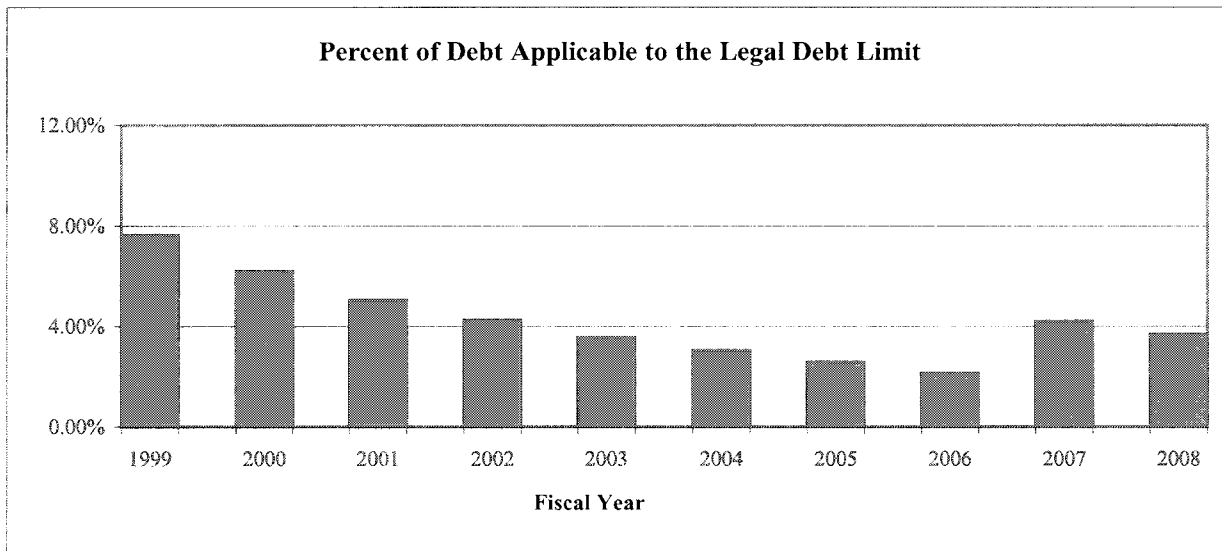
CITY OF CARLSBAD

Legal Debt Margin Information

Last Ten Fiscal Years

(dollars in thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Net assessed valuation	\$ 7,391,939	\$ 8,890,683	\$ 10,490,116	\$ 11,850,679	\$ 13,009,712
Debt limit (25% x 15%)	277,198	333,401	393,380	444,400	487,864
Less amount of debt applicable to limit:					
Bonded debt	14,460	14,170	13,865	13,540	13,200
Certificates of participation	6,075	5,570	5,055	4,515	3,950
Obligations under capital leases	<u>633</u>	<u>904</u>	<u>888</u>	<u>791</u>	<u>179</u>
Total net debt applicable to limit	21,168	20,644	19,808	18,846	17,329
Legal debt margin	<u>\$ 256,030</u>	<u>\$ 312,757</u>	<u>\$ 373,572</u>	<u>\$ 425,554</u>	<u>\$ 470,535</u>
Total net debt applicable to the limit as a percentage of debt limit	7.64%	6.19%	5.04%	4.24%	3.55%



Note: Under state finance law, the City's outstanding general obligation debt should not exceed 15 percent (as adjusted by 25% per the law) of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(1) \$18.5 million in golf course bonds were issued in Fiscal Year 2006-07. If the golf course net operating revenue is not sufficient to cover the debt service payment, the General Fund will make the debt service payment.

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 14,303,050	\$ 15,741,122	\$ 17,707,928	\$ 20,059,893	\$ 22,040,018
536,364	590,292	664,047	752,246	826,501
12,840	12,460	12,065	30,185 (1)	29,745
3,360	2,740	2,105	1,435	735
79	7	1	-	-
<u>16,279</u>	<u>15,207</u>	<u>14,171</u>	<u>31,620</u>	<u>30,480</u>
<u>\$ 520,085</u>	<u>\$ 575,085</u>	<u>\$ 649,876</u>	<u>\$ 720,626</u>	<u>\$ 796,021</u>
3.04%	2.58%	2.13%	4.20%	3.69%

CITY OF CARLSBAD

Pledged-Revenue Coverage
Last Ten Fiscal Years

	1999	2000	2001	2002	2003
Wastewater Revenue Bonds					
Gross revenues (1)	\$ 7,897,329	\$ 8,421,638	\$ 11,089,995	\$ 9,438,807	\$ 9,342,266
Less expenses (2)	3,245,049	3,292,428	3,870,885	4,245,186	4,143,066
Net available revenue	<u>\$ 4,652,280</u>	<u>\$ 5,129,210</u>	<u>\$ 7,219,110</u>	<u>\$ 5,193,621</u>	<u>\$ 5,199,200</u>
Debt service					
Principal	\$ 425,000	\$ 440,000	\$ 460,000	\$ 480,000	\$ 495,000
Interest	517,672	500,371	482,027	462,162	441,199
Total debt service	<u>\$ 942,672</u>	<u>\$ 940,371</u>	<u>\$ 942,027</u>	<u>\$ 942,162</u>	<u>\$ 936,199</u>
Coverage	4.94	5.45	7.66	5.51	5.55
Recycled Water Loans					
Gross revenues (3)	n/a	n/a	n/a	n/a	n/a
Less expenses (4)	n/a	n/a	n/a	n/a	n/a
Net available revenue	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Debt service					
Principal (5)	n/a	n/a	n/a	n/a	n/a
Interest	n/a	n/a	n/a	n/a	n/a
Total debt service	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Coverage	n/a	n/a	n/a	n/a	n/a
Golf Course Revenue Bonds					
Gross revenues (1)	n/a	n/a	n/a	n/a	n/a
Less expenses (2)	n/a	n/a	n/a	n/a	n/a
Net available revenue	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Debt service					
Principal (6)	n/a	n/a	n/a	n/a	n/a
Interest	n/a	n/a	n/a	n/a	n/a
Total debt service	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Coverage	n/a	n/a	n/a	n/a	n/a

Source: City of Carlsbad

(1) Include operating and non-operating revenues.

(2) Include operating and non-operating expenses, excluding interest expense and depreciation.

(3) Include recycled water operating and non-operating revenues and fees.

(4) Include recycled water operating and non-operating expenses, excluding interest expense and depreciation.

(5) Fiscal Year 2006-07 is the first year loan payments were made.

(6) Fiscal Year 2008-09 is the first year for principal payment.

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 6,854,001	\$ 8,557,183	\$ 8,306,783	\$ 11,325,931	\$ 11,756,538
4,868,101	4,767,082	5,647,888	6,839,519	7,538,608
<u>\$ 1,985,900</u>	<u>\$ 3,790,101</u>	<u>\$ 2,658,895</u>	<u>\$ 4,486,412</u>	<u>\$ 4,217,930</u>
\$ 520,000	\$ 550,000	\$ 575,000	\$ 605,000	\$ 640,000
416,256	389,581	361,394	328,944	295,506
<u>\$ 936,256</u>	<u>\$ 939,581</u>	<u>\$ 936,394</u>	<u>\$ 933,944</u>	<u>\$ 935,506</u>
2.12	4.03	2.84	4.80	4.51
n/a	n/a	n/a	\$ 4,187,044	\$ 4,714,098
n/a	n/a	n/a	1,936,752	2,456,688
<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 2,250,292</u>	<u>\$ 2,257,410</u>
n/a	n/a	n/a	\$ 537,565	\$ 1,172,574
n/a	n/a	n/a	268,821	827,914
<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 806,386</u>	<u>\$ 2,000,488</u>
n/a	n/a	n/a	2.79	1.13
n/a	n/a	n/a	n/a	\$ 6,614,579
n/a	n/a	n/a	n/a	6,312,031
<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 302,548</u>
n/a	n/a	n/a	n/a	\$ -
n/a	n/a	n/a	n/a	827,050
<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 827,050</u>
n/a	n/a	n/a	n/a	0.37

CITY OF CARLSBAD

Demographic and Economic Statistics Last Ten Fiscal Years

Year	Total Population	% of S.D. County Population	% Change from Previous Year	Median Age	Avg. Household Size
1999	72,900	2.65%	4.74%	n/a	n/a
2000	78,247	2.78%	7.33%	38.9	2.46
2001	83,242	2.91%	6.38%	38.9	2.46
2002	88,120	3.02%	5.86%	39.4	2.48
2003	90,643	3.05%	2.86%	39.7	2.48
2004	92,823	3.08%	2.41%	40.2	2.51
2005	94,896	3.12%	2.23%	40.6	2.48
2006	98,641	3.22%	3.95%	40.9	2.51
2007	101,337	3.27%	2.73%	41.2	2.53
2008	103,811	3.30%	2.44%	39.7	2.45

Sources: MuniServices, LLC, and previously published City of Carlsbad CAFR Reports

Population projections are from the California Department of Finance.

Household and demographic characteristics estimates are from MuniServices current estimates, the U.S. Census Bureau Census 2000 and American Community Survey.

Income estimates are derived from the Bureau of Economic Analysis, U.S. Census Bureau Census 2000 data, and adjusted for inflation.

Unemployment rate estimates are from the California Employment Development Department, Bureau of Labor Statistics.

(1) Personal Income is the total aggregate income that correlates to the total population.

Educational Attainment				
% High School Graduate	% Bachelor's Degree or Higher	Personal Income (1) (millions)	Per Capita Personal Income	Unemployment Rate
n/a	n/a	\$ 4,614	\$ 63,297	n/a
n/a	n/a	5,028	64,259	2.50%
93.10%	45.60%	5,261	63,205	2.70%
n/a	n/a	5,476	62,138	3.40%
n/a	n/a	5,545	61,178	3.40%
n/a	n/a	5,842	62,937	3.10%
95.00%	46.90%	6,017	63,403	2.80%
95.40%	53.00%	6,338	64,252	2.60%
n/a	n/a	6,721	66,325	4.00%
96.40%	49.30%	7,081	68,214	3.00%

CITY OF CARLSBAD

Principal Employers

Current Year and Nine Years Ago

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	
Manufacturing						
Invitrogen Corp.	3,716	1	6.69%			
Taylor Made-Adidas Golf Co.	2,075	2	3.74%	450	5	
Callaway Golf	1,637	3	2.95%	2,000	1	
Crestone Group Baking Co.	575	4	1.04%			
Asymtek	492	5	0.89%	280	8	
Acushnet Golf	400	6	0.72%			
Titleist	400	6	0.72%			
Upper Deck	364	7	0.66%	250	9	
Zimmer Dental	332	8	0.60%			
Systems, Machines Automation	294	9	0.53%			
Astec America	291	10	0.52%			
Nellcor Puritan Bennett Corp.	n/a			1,000	2	
West Coast Composite	n/a			700	3	
Cobra Golf, Inc., II	n/a			675	4	
Ashworth, Inc.	n/a			394	6	
Palomar Products	n/a			300	7	
No Fear	n/a			250	9	
Syntron Bioresearch, Inc.	n/a			250	9	
Schumacher Company	n/a			248	10	
Non-Manufacturing						
ViaSat, Inc.	1,837	1	3.31%	350	8	
La Costa Resort & Spa	1,087	2	1.96%	950	3	
LEGOLAND California	986	3	1.78%	1,100	2	
Carlsbad Unified School District	950	4	1.71%	750	5	
City of Carlsbad	851	5	1.53%	775	4	
Four Seasons Resort Aviara	709	6	1.28%	1,100	2	
GIA Laboratory	587	7	1.06%			
Grand Pacific Resorts	540	8	0.97%			
Macy's	496	9	0.89%			
24-Hour Fitness	430	10	0.77%			
Plaza Camino Real	n/a			3,000	1	(2)
Carlsbad Company Stores	n/a			750	5	(2)
Gemological Institute of America	n/a			466	6	
SOMC Group, Inc.	n/a			380	7	
Farmer's Insurance	n/a			350	8	
ISIS Pharmaceuticals	n/a			350	8	
San Diego Gas & Electric Company	n/a			325	9	
Costco Wholesale	n/a			285	10	
Subtotal Employees	19,049		34.30%	17,728		
Total Employees	55,538			n/a (1)		

Source: Carlsbad Business License Data (2008) and Carlsbad Chamber of Commerce (1999).

(1) Total employee count is not available for 1999.

(2) These employers are now tracked by individual store versus combined by mall name.



CITY OF CARLSBAD

**Authorized Full and 3/4 Time City Government Employees by Major Service Area
Last Ten Fiscal Years**

<u>Major Service Area</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Government					
City Council	1.00	1.00	1.00	1.00	1.00
City Manager	9.00	6.75	6.00	6.00	6.00
Communications	-	-	1.00	1.00	2.75
City Treasurer	0.75	0.75	0.75	0.75	0.75
City Attorney	5.00	6.00	6.00	7.00	7.00
Administration	-	2.00	2.00	2.00	2.00
Records Management	4.00	8.00	8.00	8.00	8.00
Information Technology	13.00	14.00	15.00	15.00	16.00
Finance	19.00	26.00	27.00	27.00	28.00
Risk Management	2.00	2.00	2.00	2.00	2.00
Human Resources and Worker's Comp	8.00	9.00	9.00	10.00	10.00
Public Safety					
Police	128.00	134.00	138.00	143.00	150.00
Fire	79.00	79.75	79.75	79.75	79.75
Community Development					
Community Development Administration	4.75	4.75	3.75	3.00	3.00
Building Inspection	13.00	13.00	13.00	13.00	13.00
Economic Development	1.00	1.00	1.00	1.00	1.00
Geographic Information	2.00	2.00	2.00	2.00	2.00
Planning	24.00	24.00	24.00	25.00	25.00
Housing and Redevelopment	10.00	10.00	10.00	10.00	10.00
Community Services					
Library	32.25	40.75	41.75	46.25	48.00
Cultural Arts	3.00	4.00	4.00	4.75	4.75
Recreation & Senior Programs	21.50	22.00	27.00	30.00	33.00
Public Works					
Administration & Environmental Programs	7.25	3.00	3.00	3.50	6.00
Engineering Services	37.00	49.00	48.70	58.70	57.00
General Services	47.25	51.75	55.75	57.25	57.75
Maintenance & Operations	81.25	70.00	70.30	70.30	73.00
Full and 3/4 Time Authorized Employees	553.00	584.50	599.75	627.25	646.75
Increase/(decrease) over prior year	20.00	31.50	15.25	27.50	19.50

Source: City of Carlsbad Operating Budget

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick-leave).

A 3/4 time employee is scheduled to work 1,560 hours per year (including vacation and sick-leave).

2004	2005	2006	2007	2008
1.00	1.00	1.00	1.00	1.00
6.00	6.00	6.00	7.00	7.00
2.75	2.75	2.75	3.75	3.75
0.75	0.75	0.75	0.75	0.75
7.00	7.00	7.00	7.00	7.00
2.00	2.00	2.00	2.00	2.00
8.00	8.00	8.00	8.00	8.00
16.00	16.00	16.00	19.00	19.00
28.00	28.00	27.00	28.00	28.00
2.00	2.00	2.00	2.00	2.00
10.00	10.00	10.00	10.00	10.00
148.00	148.00	151.00	157.00	162.00
79.75	79.75	79.75	87.75	88.75
3.00	3.00	4.00	5.00	3.00
13.00	13.00	13.00	13.00	14.00
1.00	1.00	1.00	1.00	2.00
2.00	2.00	2.00	3.00	4.00
25.00	25.00	24.00	27.00	27.00
10.00	10.00	10.00	10.00	10.00
48.00	48.00	48.00	48.00	48.00
5.00	5.00	5.00	5.00	5.00
33.00	32.50	32.50	30.50	30.50
6.00	14.20	14.20	15.20	18.15
57.00	51.10	51.60	54.60	56.90
58.75	82.85	91.95	96.20	98.00
73.00	47.10	49.50	48.50	55.45
646.00	646.00	660.00	690.25	711.25
(0.75)	-	14.00	30.25	21.00

CITY OF CARLSBAD

**Operating Indicators by Function/Program
Last Four Fiscal Years**

	2005	2006	2007	2008
General Government				
Number of recruitments processed	67	64	74	54
Number of new hires and promotions	78	124	105	118
Business licenses processed	8,507	8,955	8,926	9,405
Number of payments processed	41,354	40,283	41,337	41,991
Public Safety				
Police				
Calls for service	73,667	74,546	87,213	94,126
Average priority one response (minutes)	6.8	6.3	6.0	5.7
Cases	9,525	10,059	11,178	11,259
Crime prevention programs/services	677	743	888	965
Fire				
Emergency responses	6,594	5,908	6,705	7,853
Response time: arrivals on scene within eight minutes	87%	88%	89%	89%
Community Development				
Affordable housing units completed	439	110	66	168
Financial assistance to affordable housing projects	\$1,600,000	\$1,440,000	\$3,009,000	\$1,932,000
Residential building permits issued	1,745	943	472	337
Building inspections conducted	53,267	51,000	33,523	26,801
Final inspections (dwelling units)	1,702	1,440	765	700
Code enforcement inspections	5,600	5,600	6,800	5,500
Response time: inspections performed by next working day	94%	97%	96%	98%
Community Services				
Library - total material circulation	1,282,974	1,237,311	1,286,654	1,291,611
Library - patron visits	731,326	898,511	685,782	662,524
Arts - number of events	65	62	58	62
Arts - attendance of events	50,000	65,000	64,000	76,000
Recreation - youth sports participants	1,100	1,150	1,150	1,200
Recreation - adult sports participants	5,100	5,150	5,300	5,400
Recreation - enrichment classes held	1,650	1,650	1,650	1,750
Recreation - enrichment class enrollees	16,700	16,700	16,700	18,000
Recreation - special events participants	2,000	3,500	5,200	6,400
Public Works				
Streets				
Road miles - overlay or slurry seal	28.20	32.30	23.80	11.90
Trees trimmed	1,767	1,800	1,806	1,814
Carlsbad Municipal Water District				
Potable water deliveries - acre feet	19,172	19,885	21,500	20,271
Average daily consumption (gal/single family)	363	398	393	386
Water customers	20,281	23,099	25,791	27,770
Wastewater				
Sewage pumped (millions of gallons per day)	7.36	6.62	6.81	7.96
Annual flow (millions of gallons)	2,688	2,416	2,486	2,905
Wastewater customers	16,454	18,754	20,858	22,200

Source: City of Carlsbad

CITY OF CARLSBAD

**Capital Asset Statistics
Last Four Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Community Services				
Number of parks	30	30	31	31
Acres of parks	295	295	348	348
Acres of open space	625	625	625	625
Miles of trails	13	27	31	35
Number of pools	1	1	1	1
Number of community centers	2	2	2	2
Number of libraries	2	2	2	2
Number of materials in library collections	373,998	356,385	371,885	373,592
Public Safety				
Fire Protection				
Number of stations	6	6	6	6
Number of fire trucks	11	11	11	11
Number of ambulances	4	4	5	5 *
Number of other fire vehicles	11	11	13	14 *
Police Protection				
Number of patrol and other vehicles	85	82	90	93 *
Number of motorcycles	13	13	12	17 *
Public Works				
Carlsbad Municipal Water District				
Miles of lines and mains	431	434	442	442
Wastewater				
Miles of sewers	232	254	265	265
Streets				
Miles of streets	295	308	332	338
Number of street lights	6,445	6,786	7,372	7,588
Number of traffic signals	138	152	155	164

Source: City of Carlsbad

* Includes new replacement vehicles, and excludes vehicles classified as out-of-service at June 30th of that particular fiscal year.

